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Nation's Business

Business optimism fading
How to save billions in tax dollars
Trouble in paradise



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Nation's Business

July 1968 Vol. 56 No. 7

Published by the Chamber of Commerce of the United States
The national federation of organizations representing
5,000,000 companies and professional and business men
Washington, D.C.

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\$200 million worth

Two of America's wealthiest, self-made men appear in this issue. Each is worth more than \$100 million.

W. Clement Stone, president of Combined Insurance Co. of America, tells how you, too, can make yourself rich (page 76).

Ray A. Kroc, head of McDonald's Corp., relates the business lessons he has learned in building a multimillion-dollar restaurant chain (page 71).

Cover photograph: Marylin Silverstone—Magnum

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Editor
Jack Wooldridge

Managing Editor
Tait Trussell

Associate Editors
Jeffrey S. O'Neill
Walter Wingo
John Castello
Robert W. Ireland
Vernon Louviere
Sterling G. Slappey
Wilbur Martin

Contributing Columnists
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Peter Lisagor
Alden H. Sypher

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how to use it.



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
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THE SAFE TIRE

WASHINGTON: A LOOK AHEAD

"More businessmen should quit resting on their laurels and get into exporting," said John Kimberly, chairman of Kimberly-Clark Corp. His white hair glistened as he stood before breakfasting fellow American businessmen on a trade mission to Sydney, Australia.

A few weeks later in Washington, airline executive turned Secretary of Commerce C. R. Smith told a Board of Trade luncheon, "Many of our producers—potential exporters—do not want to trouble to develop their export opportunities . . . it has become too easy to sell to ourselves."

Messrs. Kimberly and Smith were talking about what may be the nation's biggest developing crisis yet for world trade and the U. S. dollar.

This is the way it's stacking up:

On top of international monetary chaos caused by chronic deficits in our balance of payments, continuing federal budgets in the red and growing inflation, imports now have shot up 17 per cent over last year igniting a prairie fire of protectionism. It could end a generation of U. S. leadership in global trade.

More than 700 bills to restrict imports have been introduced in Congress. Hearings have just been held on an omnibus bill to set import quotas for 20 key industrial and farm products.

"What happens in coming weeks and months can make or break American trade policy for a generation to come," warns top U. S. trade negotiator William Roth.

"The issue before us is starkly simple—quotas or competition, the regulation of trade by market forces . . . or by government fiat," says Ambassador Roth. But it's not quite that simple.

First you have to consider what's happened to the dollar.

In the past 20 years, the dollar has lost face

around the world. Foreign claims against the American buck have soared to three times our gold reserves.

We have been spending, lending or giving away more than we have earned from trade or overseas investment.

Because of our imbalance of international payments, the government slapped mandatory controls on investment and lending abroad.

Everyone realizes this is a desperate measure, since overseas investment eventually returns more dollars to the United States. So it's a case of cutting off our nose to spite our face.

Combined with government fiscal policies that made foreigners lose faith in the dollar, union wage demands have outrun productivity gains. So some of our goods have been priced out of the world market.

In the ideal world, everybody sells what he can produce best and goods move freely from nation to nation. But the real world still falls short of this.

Contrast two government attitudes: Japan encouraged its two biggest steel producers, Yawata and Fuji to merge; our government refused to let Bethlehem Steel and Cerro Corp. unite, though they were even in different fields.

Look at agriculture policy. Our government for years has sought to give farmers higher incomes by keeping domestic prices high through restricted production instead of expanding world market sales. This has spurred high production in other nations.

U. S. government policies also restrict our trade with Soviet bloc countries and mainland China, though countries like Canada and France enrich themselves on this trade. Our policies haven't kept those countries from getting non-military products, but they have denied us potential dollar earnings that could help balance

WASHINGTON: A LOOK AHEAD

our international payments. As our trade balance tips precariously and protectionism swells in the United States, what do we do?

Some say devalue the dollar. If this happened, U. S. exports would cost foreigners less, imported goods would cost U. S. buyers more. But most experts say rest of the world would just adjust, so devaluation wouldn't do any good.

A more imaginative idea, now being talked of on high government levels, would be to urge trade-healthy allies abroad to appreciate the mark and lira, rather than cheapen the dollar.

The Administration clearly is against further import restrictions. In fact, among other things, it is calling for repeal of "American Selling Price" on certain chemicals that has curbed these imports.

The most practical long-run answer, most businessmen and government officials agree, is to boost trade.

The Administration is now pushing a five-year, \$200 million trade expansion program.

U. S. exports grow each year, but for many years they have stood at about four per cent of GNP.

The government's aim now is to raise that portion enough to wipe out the balance of payments deficit.

But these hurdles have to be crossed: The rise not only has to be in addition to the regular yearly increase in exports but also has to counter a rising trend in imports. In fact, the inflation we are currently experiencing could be worse if it were not for competition from imports.

About a third of our exports are farm products, now running into high import barriers abroad. This means we need more industrial exports.

Even drastic moves to raise exports don't always work, as Britain discovered. Her exports, as a percentage of GNP, are still static, though the percentage is higher than ours.

The government has not used credit effectively to promote trade. Our Export-Import Bank is

notoriously conservative, in the opinion of trade expansion people.

We have no tax incentives to export as do many other countries.

Australia, for example, which has doubled exports in recent years, has two generous tax incentives for exporters. In addition, present exporters conduct seminars to spur new businesses into the field. And Australia's trade commissioners, unlike most of our commercial attachés, are former businessmen. Through such aggressive tactics they expect to boost exports by 66 per cent in next four years.

The U. S. government's five-year trade expansion program leans on more trade missions and trade fairs, plus a new subsidy program, mainly to get new exporters into new markets or new product frontiers.

But most promising, Assistant Secretary of Commerce Lawrence McQuade tells NATION'S BUSINESS, is to restructure businessmen's thinking to include export sales as a real profit source.

As one trade expert explains the problem: "Some companies export because they can't get rich selling at home. But in the United States, big runs, markets, everything encourages us to sell at home."

Some companies already are thinking imaginatively to bolster exports.

Pan American World Airways sold the Commerce Department recently on a multi-industry trade mission to the South Pacific and transported 36 businessmen free.

New York based marketing consulting firm, Smart and Associates, in a private report to Pan Am, revealed the executives on the trade mission are now revising their Australian sales estimates upward for the next year, ranging from 30 per cent to 500 per cent.

So some businessmen, large and small, already are finding profit potential abroad that may eventually wipe out the balance of payments deficit.

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Business opinion:

'Deceitful' law draws industry fire

To the Editor:

As immediate past president of the Kansas Frozen Foods Locker and Provisioners Assn. and having been on the legislative committee on meat inspection since 1965, I wish to commend you very highly on your article "New Law's Dangerous Deceit." [May].

I sincerely hope that that is not the last article that you write pertaining to this particular subject. Unless Congress reviews the Wholesome Meat Act and makes some amendments, they will set the meat industry back 25 years, as far as producing good, wholesome meat is concerned.

BLAINE BOWLIN

Immediate Past President
Kansas Frozen Foods Locker and
Provisioners Association
Whitewater Locker Co.
Whitewater, Kans.

To the Editor:

Having just returned from the National Technical Meeting of the American Society for Quality Control where Betty Furness was one of the keynote speakers, I found your article by Dr. Oscar Sussman very refreshing.

I would like very much to request your permission to reprint this article in our newsletter. It would be of great assistance in promoting some of the aims and goals of the Society during the ensuing year to provide the consumer with the clear facts with regards to meat inspection and to help save the consumer's

ever-shrinking pocketbook through development of self-regulation; and thus slow down our Big Brother governmental philosophy.

E. G. THORP JR.

Chairman, Food &
Allied Industries Division
American Society for Quality Control
Beardstown, Ill.

To the Editor:

I am very impressed with the article.

I would like permission to reprint this article to make distribution of it to each of our state legislators who will be convening in January, 1969.

STANLEY I. TRENHAILE

Idaho Commissioner of Agriculture
Boise, Idaho

To the Editor:

We would like to reprint the article in its entirety in our local paper as a paid advertisement.

We operate a small packing and processing plant in our community and are feeling the pinch of this "look for the stamp on meats" philosophy that housewives have been instructed on.

JOHN H. SEMON

President
The Marietta Food Center, Inc.
Marietta, Ohio

To the Editor:

May I commend you for your excellent article. I praise you not only for the excellence of your prose

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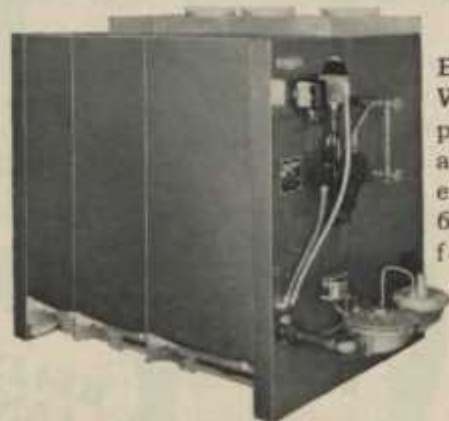
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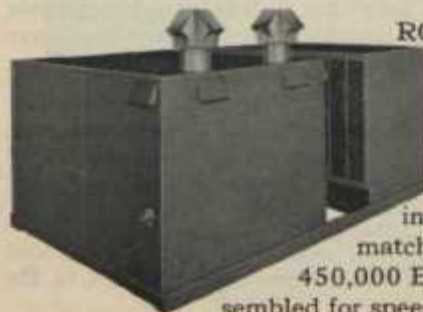


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Business opinion:

style, but for your courage in printing what you know is truth and being willing to defend that truth.

So often, such is not the case. One can always be bought off or persuaded in other ways to slant the truth, simply remain silent or defend the offender, especially where politics and government officials are concerned.

You have rendered me, and certainly countless others, a most valuable service—the knowledge of truth.

MRS. SHIRLEY BISCOTTI
Assistant Editor
Illinois Banker
Chicago, Ill.

Abusing student loans

To the Editor:

I enjoyed the intelligent analysis of the present student loan program [May].

Speaking for the banks, we agreed to the entire philosophy of necessary help for students. One fallacy is the switch from a loan of necessity to a loan of convenience. Many of the applicants receiving aid today have fairly adequate

means at their disposal. The very loose requirements concerning eligibility leaves the door open, and people of means take advantage of the situation.

Another area that appears to be without reason is the ability to borrow interest free. The small charge is an incentive to complete education and the cost is insignificant. In most cases we find students receiving free interest have the means to buy many luxury items.

WILLIAM H. WESTRUP
President
Downers Grove National Bank
Downers Grove, Ill.

Likes poverty editorial

To the Editor:

Your editorial, "No Bureaucracy?" [May], which commented on highly paid poverty employees and Sargent Shriver going to a new position as ambassador to France was well conceived and well done.

We need more action by the free press along this line and I compliment you.

EDWIN M. HOWARD JR.
Boston, Mass.

Crime and industry

To the Editor:

We have read "Washington: A Look Ahead" in the April, 1968, issue and wish to offer our compliments on a well-presented, thought-provoking piece of editorializing.

Working in the business of industrial security sharpens our appreciation of what can and must be done to lower the alarming crime rate and cost of crime in subsequent times.

We feel the message should be extended within Western Electric.

E. BORNSTEIN
Department Chief
Industrial Security
Western Electric
New York, N. Y.

To the Editor:

"Washington: A Look Ahead" [April] proved most timely in light of the recent disorders. We were particularly interested in your final point, urging business and civic organizations to promote respect for law and order.

Beginning in July, 1965, in San Diego, local associations of independent insurance agents have been spearheading successful Stamp Out Crime Crusades in more than 100 California communities. Recently this program has been extended into neighboring states.

We would like to thank NATION'S BUSINESS for this editorial encouragement of approaches of the type we are using in our growing Stamp Out Crime Crusade.

JAMES W. NORRIS
President
Independent Insurance Agents
Association of California
San Francisco, Calif.

Taxpayers and Broadway

To the Editor:

I am sure that Alden H. Sypher, before writing the April article "The Play's the Thing," endeavored to get all the facts, but he seems to have dug deep into a mine of misinformation.

Theatre Development Fund, Inc., is not a corporation which proposes to "angel Broadway flops with taxpayers' money." It is highly unlikely that it will ever buy tickets to Broadway shows after they have opened and are in danger of failing.

Theatre Development Fund, Inc., has two major objectives. The first is to encourage the production of plays which will invigorate the American theater, and help the United States to maintain its position of world cultural prestige, and it also wishes to bring back to the

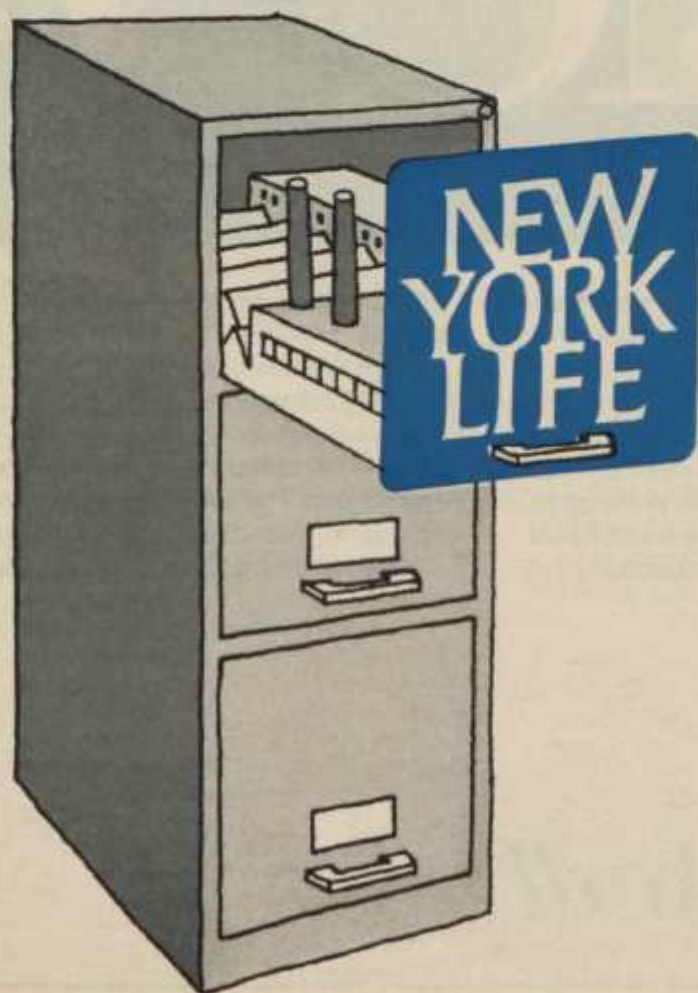
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SEABOARD COAST LINE RAILROAD



Business opinion:

theater the young people who now seem to have two or three dollars to spend for tickets but almost invariably choose to spend that money for tickets to motion picture theaters.

The encouragement to producers of worthwhile plays may take the form of financial assistance in meeting some of the costs and risks of production. It may also take the form of arranging for the sale of tickets, in advance of opening, to these young people at prices competitive with the motion picture theaters. From the point of view of the buyer, this is no different from the procedure frequently used by book publishers and magazines who frequently offer discounts to those who will take the risks of buying in advance of publication.

If Mr. Sypher feels that the government should not use any money to stimulate the arts, that is his privilege, but he should not attempt to promote his ideas by maligning an organization and an Administration which takes a different view.

JOHN F. WHARTON

Honorary Chairman
Theatre Development Fund, Inc.
New York, N. Y.

Poverty war a conspiracy?

To the Editor:

I cannot let another hour go by without writing to thank you sincerely for the article devoted to the exposure of the anti-poverty program [May] for what it really is, namely, one of the tools of a vast conspiracy to destroy this great country from within.

On every hand we have uprisings, riots, revolts, and all we hear from the "Big Boys" in Washington is that we are not doing enough, financially, to clear up the situation. Your article has just begun to throw back the covers, and, if it could be arranged that your staff could spend more time on the subject, you would then see the picture more fully. And as one does see it in all its magnitude, the proof of conspiracy increases a thousandfold.

JAMES A. TOMLINSON

University Music House, Inc.
Ann Arbor, Mich.

To the Editor:

The article about the poverty program [May] answers my puzzlement about how the poverty-stricken people of our country can afford to travel about all over the country rioting and demonstrating.

MRS. RONALD FINLEY
Finley-McCulloch Sales
Marietta, Ohio

To the businessman whose firm will someday outgrow its building

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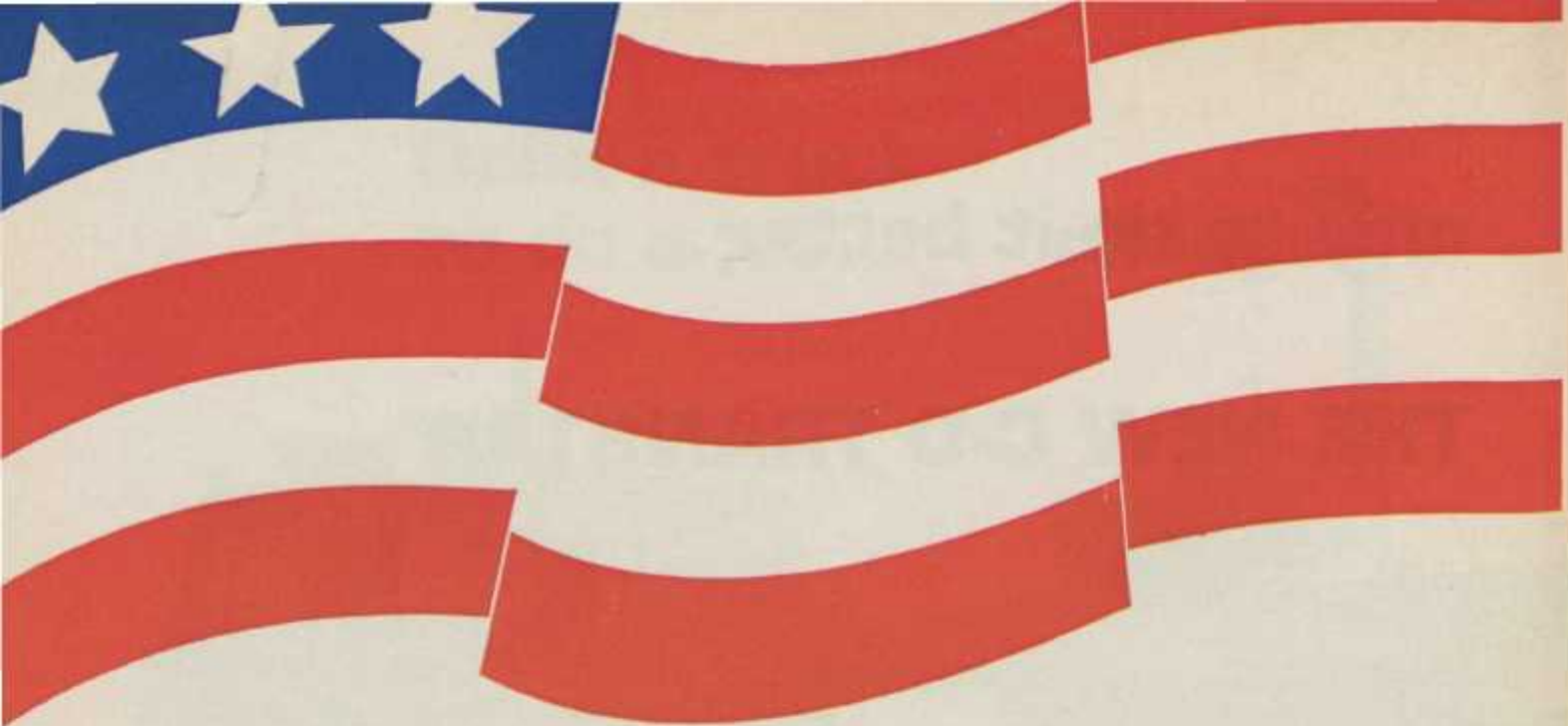
You'll find all these new advantages and many more in the C-O TRANSTAR. Take a few minutes to look this new truck over at your local INTERNATIONAL Dealership. Find out for yourself how truly great a truck can be when the heavy-duty leader builds it for the job, the driver and the long, long haul.

*"Build a truck to do a job—
change it only to do it better"*

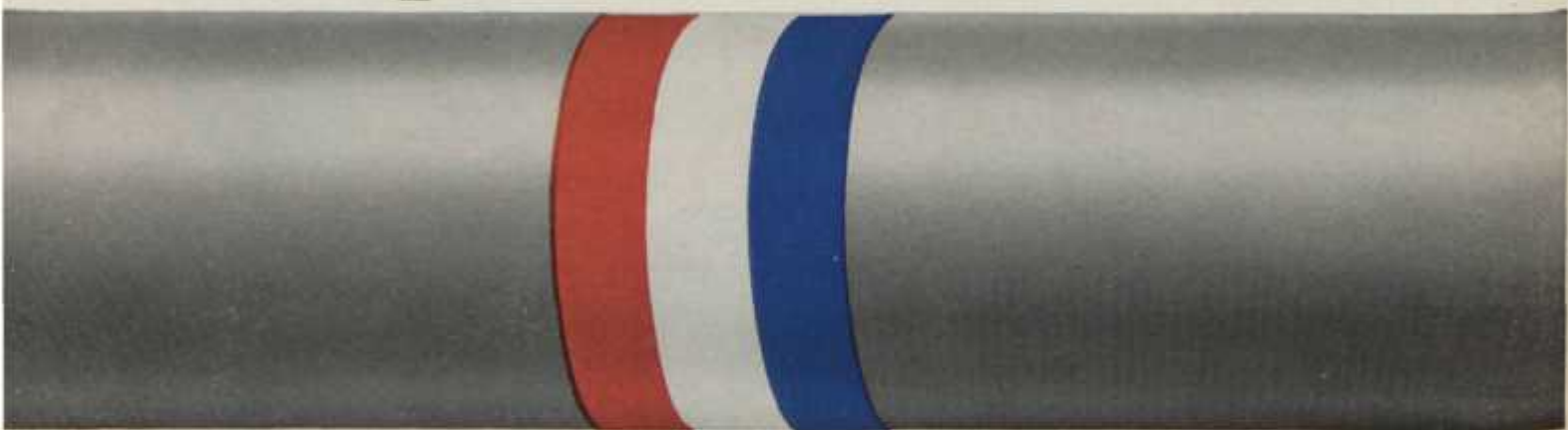
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So proud, in fact, that since June 14 (Flag Day U.S.A.) every piece of pipe and product we produce is striped with the good ol' Red, White and Blue.

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To other American manufacturers we say: join us in showing your colors (or ours!). And to buyers of pipe products we say: if you don't buy **our** American, then buy the next best thing—any other American-made line. American

Cast Iron Pipe Company, Box 2603, Birmingham, Ala. 35202. Producers of quality cast iron pipe, ductile iron pipe, fittings, steel pipe, and steel castings.

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Executive Trends

- More octane for sales campaigns
- Marketing—a bright spot
- Tasty hedge against inflation

Contests lend oomph to sales

Pay is the salesman's big incentive. But contests help fire him up. Three out of four top sales executives rely on contests to put extra octane into sales campaigns.

Best of all, contests often boost the average performer out of his rut and make him a more confident and successful seller.

That's what Sales and Marketing Executives-International learn from a nationwide survey they took. It was the most comprehensive in recent years. It shows that:

- Of the firms that use sales contests, 74 per cent say they get excellent to good results from them.
- Most successful contests focus on a specific goal, like corralling new customers.
- Best contests set goals any man can reach—often by competing against his old record.
- Successful contests are short—one to three months.

However, SME-I says, the survey shows some sales contests can be harmful. Especially when the product is complicated, takes group selling, long negotiations or service problems.

Outlook bright—for marketing executives

They're the most wanted. But demand for other executives is down 25 per cent from last year, Heidrick and Struggles, international management consulting firm, reports. Demand for executives in defense engineering and science has dropped most. "With peace talks, defense-

oriented industries are holding tight," Gardner W. Heidrick, president, says. "Demand for marketing executives was abnormally low," he adds. "The modest upturn indicates companies are taking a closer look at marketing results."

The Heidrick and Struggles survey is made specially for NATION'S BUSINESS. It's based on a nationwide count of executive (display) want ads.

In the past, it has tended to lead the business curve. So the downturn is bad news for business. Here are the figures for all categories:

	PER CENT CHANGE COMPARED TO:	
	Previous quarter	Same quarter last year
Defense engineering and science	-52	-70
General engineering and science	-8	-27
Finance	-12	-19
General administration	-5	-13
Manufacturing	+2	-8
Personnel	-19	-31
Marketing	+7	+24
TOTAL: All categories	-17	-25

Breakthrough in accounting?

What's worth more to a corporation?

A new \$25,000 machine. Or a well-schooled manager, in whom the firm has invested \$25,000 for training and education. Any business analyst would say the executive.

But accountants don't. On the



Just how much inventory is essential?

One of the big advantages of motor transport is its ability to deliver goods quickly and directly. That's why, with trucks on the job, it's not necessary to maintain big physical inventories, which consume both floor space and capital. Trucks get it to you when and as you need it. How about investigating the advantages of "warehouses on wheels" for your operation?



American Trucking Industry

American Trucking Associations, Inc.
Washington, D.C. 20036

THE WHEELS THAT GO EVERYWHERE





Save old roofs — reduce costs

Your own maintenance men can use Ranco roof spray equipment **FREE** to waterproof weatherworn roofs permanently. The roof spray equipment pumps Ranco plastic sealant from drums on the ground and sprays it directly on your roof. The sealant forms a seamless, elastic shield that defies bitter cold and blistering heat; it stops leaks and restores pliability to old roof felt. Save contractor's costs, time, and handling; our Ranco Roofing Engineers provide jobsite instruction. Write for free 40-page **Ranco Roofing & Maintenance Catalog** which gives complete details to **Ranco Industrial Products Corp.**, 13251 Union Avenue, Cleveland, Ohio 44120.



SAVE 33%!

DUST-TEX low cost rental service provides treated dust mops, entry carpets and dust cloths. They reduce your maintenance costs and do the job better and faster. You invest nothing! Approved by hospitals, schools, churches and businesses of all sizes. Contact your local DUST-TEX office or write for details.

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DUST-TEX COMPANY
Division of American Uniform Co.
P. O. Box 1072, Cleveland, Tenn. 37311

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EXECUTIVE TRENDS

continued

balance sheet, they enter the \$25,000 widget puncher as an asset. But the \$25,000 sunk into grooming the key executive as an expense—a direct charge against income.

Two firms, R. G. Barry Corp., Columbus, Ohio, and Donnelly Mirrors, Inc., Holland, Mich., think this approach makes no sense.

Since Jan. 1, 1968, money that Barry Corp. invests in executive training is carried as an asset on a special balance sheet. The firm calls it "human resource accounting." Donnelly plans to do the same.

Prof. R. Lee Brumet, head of a University of Michigan study team which helped install the concept, says it could be a trend.

Here's tasty (chug-a-lug) hedge against inflation

Some stash their spare cash into works of art or hoard gold.

Heublein, Inc., has another suggestion—imported wines. Alexander McNally, wine manager of its subsidiary Vintage Wines Co., cites some examples:

Clarets, vintage 1959, selling originally at \$30 to \$90 a case, now are worth \$100 to \$250.

Chateau Latour (Pauillac), same year, cost \$85 a case when first marketed. Today's price tag, he says, is \$210.

Why have they doubled or tripled in value?

Because the product improves with age, and grows scarcer with every pop of the cork.

Both examples cited are red wines. But the same holds true for some imported white wines, he says, and for some domestic.

Other investment grade, vintage years, he adds, are 1961, 1962, 1964, 1966 and 1967.

New reading of student views

Is it true what they say about business? Namely, that the campus crowd downgrades it as mere money-grubbing?

Not so, the Society for Advancement of Management retorts. It queried 2,500 college students on their business views and found:

- Nearly seven out of 10 (67 per cent) picked business as their top choice for a career.
- Eight out of 10 rate it first or second.
- More than two thirds (68 per

cent) have a good opinion of business, big and small.

• Half thought business should lead in solving a long list of social problems—from wiping out racial bias to raising moral standards. Less than a third (30 per cent) said lets leave these problems to Uncle Sam.

SAM's survey reached mostly students of business administration, plus one third majoring in other fields.

So its sample may have a built-in pro-business bias.

But business majors are a big group. One out of every five male bachelor's degrees go to them.

Better late than never?

"I've had it," the missus wails.

"Two weeks at home, and the kids are driving me wild."

Now she, and her husband, are looking for a camp to park the children for a couple of weeks, while they recover their sanity.

Having that problem, too?

It's a little late to sign up for the popular, private camps. Some are fully booked by January or February. The trend, at most of them, is toward a full, eight-week program.

For that, fees usually run from about \$650 to \$750 in the East.

Camps run by religious, social or community groups are more likely to have two- to four-week programs and can be less expensive.

Here are some directories you may find useful:

"Parents' Guide to Summer Camps" (private only, in New England and Middle Atlantic states), \$6.95, Harper & Row, New York; "Directory of Accredited Camps," \$1.50, American Camping Association, Bradford Woods, Martinsville, Ind. 46151.

Other good sources of information are:

"An Accredited Private Camp for Your Child," 50 cents, The Association of Private Camps, 55 West 42nd St., New York 10036.

"1968 Directory of Catholic Camps," \$2, National Catholic Camping Association, 1312 Massachusetts Ave. N.W., Washington, D.C. 20005.

"Directory of Resident Summer Camps under the Auspices of Jewish Communal Organizations," \$1.25, National Jewish Welfare Board, 15 East 26th St., New York 10010.

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Take a look. You can see the difference in copy quality only 3M brings you. And you don't have to make thousands of copies a month in order to get quality copies like this. The all-electric 3M "107" Copier lets you copy halftones, solids, lines sharp and clear. No chemicals. No powders. You can copy from pages bound in books. You can copy colors, ballpoint signatures.

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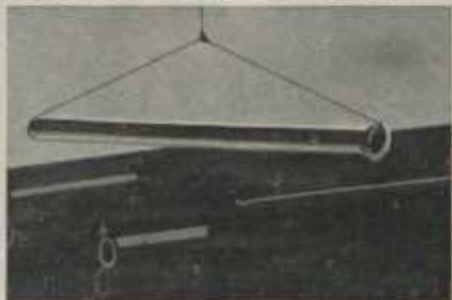
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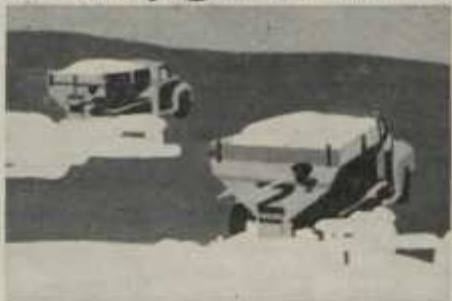
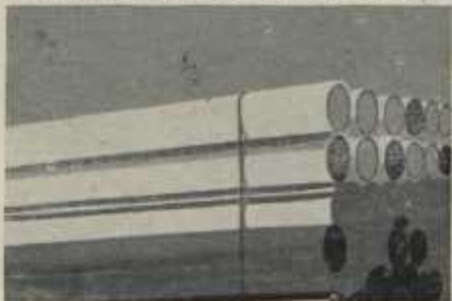
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However, despite the degree of diversification, many people look upon Woodward Iron Company primarily as a producer of pig iron. This is no longer the case, and the name of the Company has been changed to **WOODWARD CORPORATION**.

The sales of this company are \$155 million, and it currently operates some 30 facilities in Alabama, California, Illinois, Indiana, Mississippi, Tennessee, Texas and Virginia. For a copy of our Annual Report write Dept. 18.

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we've changed our
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WOODWARD CORPORATION

WOODWARD, ALABAMA 35189 . . . IN GREATER BIRMINGHAM



Lame duck or caged lion?

BY PETER LISAGOR

When President Johnson renounced a second-term bid, he automatically consigned some 2,500 Federal employees to his own lame duck status. They are the so-called political appointees, men and women who latched their star to the LBJ wagon and who, like the President, will be out of work or in new jobs next Jan. 21.

With a Federal payroll of roughly 2,500,000, the number of political jobholders is small. But in influence and power, it is probably the most significant segment of the federal establishment, including the Cabinet and assorted policy makers, the confidential assistants who, in political terms, know where the bodies have been buried, the helmsmen of the Johnson Administration. Within the executive branch itself, the civil servants with their tenure and job security may dispose, but the political types do the proposing—and given the unwieldy nature of a vast bureaucracy, they prevail more frequently than generally supposed.

What happens, then, when a terminal point is firmly fixed for these federal officials? As in most things connected with President Johnson, the demeanor and comportment of Cabinet officials and others in their final months of federal service tend to follow a pattern set in the White House. The feeling of relief in the President is reflected up and down the line. A certain tension drains away, for the burden of seeking office imposes unimaginable strain and stress upon a President.

• • •

But this doesn't mean that the lame ducks felt free to goof off, once the President revealed his intention to retire. Not long ago, Secretary of State Dean Rusk mused about the impact of the President's decision upon him. Conceding that he was conscious of his new status, Rusk recalled his appearance before the House Foreign Affairs Committee to testify in behalf of the Administration's foreign aid bill. When he was

Mr. Lisagor is the White House correspondent for The Chicago Daily News.



Defense Secretary Clifford (left), HEW chief Cohen, find out what it's like in an outgoing Administration.

finished and got into his limousine for the drive back to the State Department, the thought struck him that he had made his last official argument for foreign aid before a Congressional committee—the last of some 16 in the House and Senate over an eight-year span. Rusk was not saddened by the thought.

Rusk also found himself less disturbed by demands from anti-Viet Nam critics that he resign, less distracted by criticism in general. Although the pressures of a re-election campaign had been lifted off the President, Rusk noted, the white telephone on his desk connecting him to the White House was as busy as ever. Even a lame duck President cannot defer or avoid war-and-peace decisions.

Only two other Cabinet officers have served as long as Rusk—Secretary of Agriculture Orville Freeman and Secretary of Interior Stewart Udall. Unlike Rusk, Freeman and Udall were practicing politicians when John F. Kennedy appointed them—Freeman a governor of Minnesota and Udall a Congressman from Arizona. They understand the durable truth of the story of the spoiled voter who turned on his political benefactor and asked, "What have you done for me lately?"

Freeman, for instance, could not have luxuriated in

TRENDS: WASHINGTON MOOD

lame-duckness in the early days of the Poor People's March on Washington. The demonstrators campaigned on the doorstep of the Agriculture Department, scoring Freeman for allegedly not using his full authority to provide food for the poor and hungry. Even Udall felt the wrath, at the same time, of American Indians, over whom he has jurisdiction.

• • •

Curiously, two of the largest, most complex and reputedly unmanageable departments—Defense and Health, Education and Welfare—have men at their heads who will have served less than a year by the end of the Johnson Administration. Fortunately, Defense Secretary Clark Clifford has had a long and abiding interest in his Department dating back to the days when, as a Special Counsel to President Truman, he helped to draft the legislation that unified the armed services and created a single Department.

It was equally appropriate that President Johnson appointed as HEW head Wilbur Cohen, who had served as Undersecretary for years and knew as much about the inner workings of his sprawling Department as any other potential choice in the country.

But within the short time remaining for them, neither Clifford nor Cohen will be able to put more than the faintest personal imprint on the two Departments. They have become caretakers, in effect.

One of the drawbacks to a lame-duck situation is that problems tend to be put aside, to be swept under the rug, or to be placed in the custody of a study commission. Not only is the President loathe to take action that would bind or hamstring his successor, but the Congress would be even more loathe to approve measures that could be postponed until a new Administration comes to power.

Thus, it is almost inevitable that the whole Administration takes on the mantle of the caretaker except, of course, in the case of emergency requirements. Innovations are out, and those great issues of controversy—the fate of the welfare programs, the scope of the federal role in city renewal and the like—go into the deep freeze. As the months wear on, more and more will be left to the new President and his Administration, even if he is of the same party and associated with past policies and programs.

President Johnson may not be rejoicing in his decision not to run again—and in fact, he may be developing a deep bitterness about the pressures that forced him to withdraw—but he is grimly determined to sound as good-natured about it as he can.

His speechwriters have exhausted the joke books and their own wits in search of material, e.g., "I used to be a politician myself." To the International Ladies Garment Workers Union, the President quipped that he was the "only man in the long history of the needles trade who used a speech rather than the scissors to cut off his own coattails." To the White House correspondents, in the presence of Vice President Humphrey, Mr. Johnson jested that when he made his dramatic speech on March 31, he said that

he would not accept the nomination of "MY party." He repeated the phrase, with heavy emphasis, and looked mischievously at Humphrey.

When he toasted the visiting Australian Prime Minister John Gorton at a White House state dinner, Mr. Johnson confessed that he had been talking "quite privately" with Mrs. Gorton during dinner. He said he hoped he had not violated protocol but that he needed advice.

"Two years ago, your predecessor—our late and beloved friend, Harold Holt—made a promise to me," the President said, addressing himself to Gorton across the room. "During our visit prior to the Manila Conference, in the cool of the evening over a mint julep, he very generously said that if things ever went wrong here in the United States, I would always have a political future in Australia. Mr. Prime Minister, I have been somewhat curious to know whether that might still be true."

Then the President quoted Mrs. Gorton, a native of New England, as saying that "Mr. President, you will always be welcome. But Australians are a lot like you Texans—you are never as bad as they say you are when they're mad . . . and you are never as good as they say you are when they love you."

• • •

But these public jests about retirement rarely enter into his private colloquies. It can be said that Mr. Johnson, a man of rare energy and drive, is likely to feel like a caged lion on his Texas ranch. The notion that he yearns, like Cincinnatus, to go back to the plow, is judged as ridiculous by most serious students of LBJ.

With his restless nature, it would not be surprising if Mr. Johnson took a leaf from Dwight D. Eisenhower's book and spent a good portion of his remaining months traveling abroad. Ike practically roamed the earth in late 1959 and early 1960, in a final search for that will o' the wisp, peace. He visited nations in Europe, the Middle East, the subcontinent of India, North Africa and the far Pacific. Only Japan, then seized by student rebellions, thought it prudent to cancel Ike's planned visit.

LBJ likes the attention he gets on his overseas trips, and like Ike, draws sustenance and satisfaction from the adulation of crowds. The only trouble is that in a world torn by turmoil, there are not many places secure enough for an American President to visit.

One country that could offer security, no doubt, would be the Soviet Union. And there is little question that Mr. Johnson would welcome a visit to Moscow as a capstone of sorts in his quest for peace. He once hoped that he might exchange visits with Soviet leaders, and he made the most of Soviet Premier Alexei Kosygin's trip to Glassboro, N. J., for a two-day conference with him last year. To commemorate that event, the President went back to the little college town a year later and spoke of the need for greater cooperation with the Russians.

To be the first American President to visit Russia would appeal to Mr. Johnson's innovative instinct. But with the war in Viet Nam still on, most Soviet experts would deem it highly unlikely that Moscow could afford to invite him.



Some people have to drive in the rain whether they like it or not.

There are more than 6 million people who drive small trucks for a living. Like butchers, bakers, TV repairmen.

People who drive all day, every day, rain or shine.

And, for some time now, these people have been asking Uniroyal for a truck tire that's as surefooted on wet

roads as The Rain Tire™ is for cars. After all, they argued, they couldn't stay home every time it rained.

Well, each time they asked, we had to say not yet.

You see, to make a tire that has all the features of The Rain Tire and that's strong enough for trucks takes

a lot of time.

We finally did it though: we made The Rain Tire for Small Trucks.

Of course, driving in the rain will never be a pleasure.

But now, at least it will be less of a nightmare.

The rain tire for small trucks



A message to managers of retail establishments, banks, route-selling companies, utilities, hotels, restaurants and other businesses in which your principal contact with customers is **through your employees:**

Good Customer Relations are habit-forming.

What can you do about:

The salesperson who says, "I'm-sorry-I-can't-help-you-we-close-in-15-minutes"?

The bank teller who puts up the "next-window-please" sign in front of ten waiting patrons?

The waitress who snaps, "Don't-ask-me-that's-not-my-table"?

What can you do about otherwise nice people who behave so ineffectively in retail situations?

We say it's a matter of attitudes and *habits*—habits that can be corrected.

It stands to reason that good habits are as easy to form as bad ones. And we have proved, many times, that almost any sales or service staff can be trained into productive habits in the Dale Carnegie Customer Relations Course.

We start by reshaping *attitudes*. Attitudes, experience shows us, are easier to change than habits. With the right training, attitudes change quickly. We can, in fact,

demonstrate attitude changes following the very first Dale Carnegie session.

Behaviour changes take longer, but after five concentrated sessions we can accomplish enough true behaviour changes to make a *notable* difference in your business . . . including a *drop-off* in business for your complaint department.

Though Customer Relations is not essentially a "selling" course, it is a fact that most retail establishments using this training have noted sales increases as a result.

It is also a fact that Dale Carnegie-trained employees stay on the job longer, develop new organizational loyalties and make management, in general, a much easier and more pleasant task.

May we tell you more? Write today.

DALE CARNEGIE CUSTOMER RELATIONS COURSE

These are facts:

1. *Employee courtesy can be automatic.*
2. *Most Employees like to sell—when they know how.*
3. *Friendly customer attitudes can be natural attitudes.*
4. *Retail personnel turnover can be cut drastically.*

Not of an age, but for all time

BY FELIX MORLEY

The Constitution of the United States has now been in force for 180 years. A Rip Van Winkle, who had dozed off when it went into effect, would certainly not recognize much of the country nor most of its government should he awake today. The differences between 1788 and 1968 are enormous. So it is not surprising that argument for a wholly new organic law is beginning to be frequently heard.

More curious is the fact that this demand comes from opposite poles of the political compass. Ardent conservatives and dedicated socialists have joined in arguing that the present Constitution is outdated and that no amount of amendment can make it an appropriate instrument for the solution of modern problems.

Yet nobody is able to point to any injustice directly attributable to the wording of the existing document. And it is significant that within the past two years four States have by popular vote rejected efforts to replace their antique State constitutions with streamlined instruments of government.

Indeed, these rejections have been so emphatic as to cast doubt on the assumption that Americans are always looking for something new, whether the issue be cosmetics, mechanical gadgets or shortcuts to Utopia.

• • •

Undeniably our inherited Constitution is now creaking at some of its joints. At this moment nearly everyone will agree that our procedure for electing a President is neither democratic, nor efficient, nor calculated to place the most competent pilot at the helm of the ship of state. As another instance, the continuous Congressional effort to circumscribe Supreme Court power is evidence of abrasive friction between the legislative and judicial branches of our central government.

But when these difficulties are closely examined it appears that they are in large part due either to



Some critics insist that we should revamp basic laws, but Americans don't seem eager to tinker with them.

amendment or to disregard of the original Constitutional intent. The Electoral College was designed as an elite assembly of distinguished citizens who were expected to choose the best qualified man as President, regardless of political pressures. And the modern use of the Fourteenth Amendment, to deprive States of the authority originally given them in local matters, was of course never originally envisaged.

So the argument for a new Constitution is not that the old one is archaic, but rather that it has been distorted to the point where much of its original logic is destroyed. It does not follow, however, that a wholly fresh start would lead to any improvement. And the more the arguments of revisionists are examined the more apparent it becomes that they are contradictory.

Thus the thesis of Mr. Wilbur H. Ferry, in a recent article in *Saturday Review*, is that our welfare demands a centralized control of technological development, "through a revision of the Constitution of the United States." This, Mr. Ferry admits, "would mean planning on a scale and scope that is hard now to imagine."

Almost simultaneously Professor Mario Pei, writing in *Modern Age*, agrees that we should "go over

Dr. Morley is a Pulitzer Prize-winning former newspaper editor and college president.

TRENDS: STATE OF THE NATION

the Constitution as a whole, and bring it into line with present-day conditions and problems." But his argument is based on the "cumbersome" character of contemporary government.

Mr. Ferry, a vice president of the Center for the Study of Democratic Institutions, operating from Santa Barbara, is all for government planning on the most grandiose scale. Professor Pei, who teaches Romance languages at Columbia University, takes a dim view of the planning already operating from Washington. Both these men may be called intellectuals, but their viewpoints are poles apart. With the disagreement, of which this is a mere sample, one wonders whether a national convention to rewrite the Constitution could ever produce a document "thoroughly in keeping with modern times and modern problems," as the Professor hopefully opines.

• • •

Critics of the present Constitution almost always ignore one or other of the two characteristics which have made it so enduring. The document hammered out in Philadelphia during the summer of 1787 did not assume that men should ever think in terms of patterns laid down for them. And it did show faith in the ability of Americans to solve their problems without governmental regimentation. These tenets are not shaken by the progress of science and invention. They are not of an age, but for all time.

Criticism from the Right generally charges that too much centralization has been written into the Constitution; that it should be revised to limit governmental power. Criticism from the Left usually advocates revision so that government power will not be hampered in dealing with intractable problems. The net effect, happily, is to enhance the prestige of the Constitution as it stands, by mutual cancellation of the indictments brought against it.

It is, after all, extraordinary that this document has served the American people so well through all the developments of 180 years. The French are certainly as able as we are, yet in the same period they have tried half-a-dozen wholly different constitutions without ever achieving enduring political stability. With us even a great civil war could not destroy the federal character of this republic.

Professor Pei patronizingly admits that: "The American Constitution is probably the best document of its kind in existence." But it bothers him that: "Issues and problems face us which the original framers could not even conceive of." This does the Founding Fathers an injustice. All who have read the *Federalist* papers realize that many of the problems we now confront were foreseen by the authors, not in detail of course but in substance. James Madison, the principal architect of the Constitution, anticipated that by the present time the population of the country would be approximately what it is.

Those who argue that the Constitution is outdated by the passage of two centuries could almost as well assert that 10 times that span has made the New

Testament irrelevant for life today. And there are some who seem to think exactly that. For most of us, however, certain truths are enduring, from generation to generation. And in its particular sphere of civil government it can be predicted that the Constitution will be as valid a century hence as it was a century ago, when a great English statesman called it: "The most wonderful work ever struck off at a given time by the brain and purpose of man."

• • •

Of course this does not mean that there is no place for amendment, and that the process is not too difficult is shown by the fact that it has been made effective 25 times. Action can even be unduly hasty. It is well to recall that the Twenty-first Amendment merely repealed the Eighteenth, after 14 years of disillusionment with Prohibition.

Efforts to place statutory limitations on the power of the Supreme Court is another illustration of dubious tinkering with fundamental institutions. Of late years the Court has unquestionably gone outside its judicial function to indulge in what closely approaches legislative action. But in so doing it has also emphasized that what the Court decrees in one decade it can as readily repudiate in another, so long as the present Constitution stands. The issue here is not the power of the Court so much as the stature of its members, and this in turn depends on the quality of the President who appoints them.

These cautious considerations in regard to replacement of our basic law seem to be strongly held by the American people as a whole. Lately they have turned sharply against new State constitutions, even when the old one was very clearly subject to valid criticism. The point was demonstrated in Maryland, on May 14, when the voters by a ratio of nine to seven rejected a substitute for the State constitution that has been in force for over a century, and still remains so, although amended more than 200 times.

All of the 23 counties in the State, excepting only the two that serve as dormitories for Washington, voted against the proposed new constitution. Yet it had been quite carefully drafted, by a democratically elected convention which sat for almost four months.

The weakness of this rejected substitute was that which undoubtedly would affect a new Federal Constitution, if we were foolish enough to call a national convention to prepare one. There was too much reliance on snap reforms designed to meet demands of the moment, such as lowering the voting age to 19 at a time when many of that age are not showing great maturity of judgment.

Now President Johnson proposes to go one further, by amendment of the Federal Constitution to make the voting age 18. Of course there is reasonable argument for that step, if one remembers that many of the great expectations from votes for women did not jell. Extension of the franchise will not of itself bring good government to the United States. Much more effective would be widespread understanding of the principles underlying the original Constitution. For it is these which have enabled Americans to achieve, not everything, but so much, so quickly, as history is measured.

Now-the first low cost electronic billing machine with a snap-on program cartridge.



Electronic billing has never been so fast. So easy. So inexpensive.

The new 5005 COMPUTYPER* billing machine by Friden features an internally stored program that's loaded into the machine with a simple snap-on cartridge.

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Some hope for troubled cities

BY ALDEN H. SYPHER

The nation's largest city appears to be choking to death on a continuously growing influx of the poor.

Overcrowding is so great that 100,000 persons live on the sidewalks. A million others live in hovels unfit for humans.

Unemployment rises steadily. So does unrest. Transportation is breaking down. Open sewers make this great metropolis frequently subject to epidemic disease.

All this is the product of neglect, of failure to maintain facilities, of underfinancing.

The water supply often is contaminated because of the ancient, deteriorated piping system. Some water comes unfiltered from a muddy river.

There's hope now for improvement. Not just that deterioration will be checked, but hope that facilities over the next 20 years will be improved and expanded to take care of a population expected to reach 12 million.

With help from the Ford Foundation, the Metropolitan Planning Organization has devoted five years to developing plans for improvements. These have been approved by the Finance Ministry. Now they are before the Planning Commission.

Safe drinking water, underground sewer systems, expansion of electric lighting, a new mass transit system, and a second bridge over the river to ease traffic congestion, all are provided for in the plans, along with housing improvements.

For the money, the government has turned to Washington.

Which could cause you to assume the city is New York. While this city and New York have much in common, nevertheless such an assumption would be wrong.

For it isn't even in this country. It's in India. Calcutta.

It's where sacred cows roam the streets at will. Where cow dung is flung on the sunny side of buildings to dry, to be used for fuel.

Mr. Sypher, a lifelong journalist, is the former editor and publisher of NATION'S BUSINESS.

It's where India's two communist parties are the strongest, with the possible exception of Kerala.

And so it follows that it is where Americans are hated the most, with the same possible exception.

Therefore it provides us with a perfect opportunity



Arjay Miller (right) of Ford Motor Co. and William Gorham are working on our agonizing city problems.

to move in with millions upon millions of dollars to rebuild Calcutta, and thus combat communism.

Does that sound insane?

"Swift American approval is expected," wrote *The New York Times* correspondent from New Delhi.

You may be glad that you decided against foreign travel this year and thus became a soldier in Washington's furious battle to protect the dollar by cutting down on its flow to foreign lands.

• • •

A review of this nation's success or lack of it in combating communism with dollars might provide a basis for a change in policy.

If we look at the changes taking place in Czechoslovakia, Hungary, Yugoslavia and elsewhere behind the Iron Curtain, we must conclude that communism wears itself out among men who place any value at all on truth, dignity and freedom. There's not much we can do for men who do not. Perhaps

TRENDS: RIGHT OR WRONG

communism finally will just run its course to extinction.

The Calcutta project might give you some understanding, even if not sympathy, for the reasoning of Roger L. Stevens, chairman of the National Endowment for the Arts, when the House, attempting to check the inflation that is depreciating everyone's dollars, cut the spending authorization of the National Foundation on the Arts and Humanities. Said Mr. Stevens:

"It is understandable that Congress is concerned about budgetary problems, but we do not understand how saving a few million dollars, desperately needed if we are to have an effective and constructive arts and humanities program, is going to solve a problem running into many billions of dollars."

Perhaps Mr. Stevens has forgotten what Lao-tze, the Chinese philosopher, said several hundred years before the birth of Christ:

"The journey of a thousand miles begins with one step."

• • •

The most promising step toward solving some of the problems of American cities comes in the establishment of the Urban Institute by President Johnson.

It will serve as a national center for research into the problems of cities.

To insulate the center from the deeply rooted interests of established government agencies, it was incorporated as a private nonprofit corporation.

This form also is expected to enable the center to attract talent that might not be attracted by government salary levels.

It will be supported by grants and contracts from government agencies, and by private groups, such as foundations.

Operating head of the new center is William Gorham, 37, an economist and a former assistant secretary of the Department of Health, Education and Welfare. Chairman is Arjay Miller, vice chairman of the Ford Motor Co. Fifteen men prominent in business, professional and public life make up the board of trustees.

Within the next six months Mr. Gorham hopes to have assembled a staff of between 25 and 75 engineers, scientists, architects, economists, city planners and administrators.

In addition to serving as a national center, the Institute is expected to study problems common to cities and to develop solutions.

It is also to make evaluations of the effectiveness of federal, state and local programs intended to meet urban problems, which could be by far the Institute's most important work.

This will provide an opportunity for an authoritative and independent look at present methods of distributing billions of dollars in various federal relief programs.

This could bring about coordination of the hun-

dreds of federal programs, all aimed in the same general direction, but for the most part operating inefficiently and in some instances at cross-purposes.

This is because each is set up under a law passed by Congress, intended to achieve a specific result.

Since each program involves the expenditure of federal tax money, the law is generally quite specific on how the money should be distributed.

Thus the administrator of the project need exercise little judgment, nor must he even have sound judgment, since his most important function is to follow the letter of the law.

He has a vested interest in doing so, since his job may depend on continuation of his particular project, and that may in turn depend on the continuing support of the politicians who first saw, or thought they saw, the special need for the project.

So to protect his own future, each administrator tends to protect his program against encroachment of other similar programs.

This is easily accomplished, for the similar projects are run by administrators in similar positions.

And each has supporting him the authority of the law setting up his program, a point he uses effectively to knock down "outside interference," even though such interference might be coming from the top in an effort to gain coordination.

• • •

This is a point that caused one Cabinet member to throw up his hands and go home after he learned what little authority he had over his many operating sections, each set by a law that states what may be done under the program.

In response to his suggestions for changes, the administrators told him they were responsible to the law, not to him. The Cabinet member was a Secretary of Health, Education and Welfare.

Obviously under the present system project protection, which is also job protection, becomes the primary concern of the administrator.

The pursuit of protection was described as "a special kind of politics—program politics," by a Senate subcommittee investigating the wide spread of such politics two years ago.

Since the objective of program politics is the antithesis of coordination, and because there is no overall plan, the money wasted in federal urban and poverty programs is beyond estimate.

While the Urban Institute cannot change these laws, a highly professional nonpartisan staff could develop and present to the nation evidence of the present inefficiency in such a convincing manner that Congress would have to put the entire welfare program into a coordinated plan.

Such an upset of the status quo would take a near miracle. If the center can accomplish that it might even be able to tell us whether New York City's welfare system is "bankrupt of ideas and money," as charged by a Teamsters Union local and a group of Congressmen, or whether these critics are making "another characteristic attack on poor people," as charged by City Hall.

Which poor people? The ones in the ghettos, or in City Hall?



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Quarterly outlook survey

BUSINESS OPTIMISM FADING FOR SECOND HALF

Top executives forecast sales, profits prices, environment for balance of year

Many businessmen are less optimistic about the economy now than six months ago.

Their mood hasn't exactly switched to gloom. They believe that business will hold up pretty well the rest of this year. But they also believe stresses and strains will intensify.

Inflation, many say, can't be checked unless both government tries harder to live within its means and labor moderates its demands. And they remind that controlling inflation is the key to prosperity both at home and in foreign markets.

The change of mood is reflected in the latest NATION'S BUSINESS Outlook Survey. Responses came from 400 business leaders, most of them presidents or board chairmen.

Eugene C. Zorn Jr., senior vice president and economist of Republic National Bank of Dallas, reports that he is less optimistic than he was. As he sees it, the delay on the tax increase-spending cut bill "has permitted more inflationary distortions to be built into the economy."

"I was hopeful at the start of the year that the bill would be enacted fairly promptly," he adds.

Rodney C. Gott, chairman and president of American Machine & Foundry Co., also is less optimistic. He lists "the uncertainty of the international situation" at the top of several reasons.

Increasing lawlessness and civil

disorder, along with continuing inflation, make R. A. Lydecker, president of Great American Insurance Co., bearish.

In all, 47 per cent of those replying say their optimism has faded since the first of the year.

On the other hand, 42 per cent say they are more optimistic now than they were. Mostly, they cite a pickup in spending by consumers, who had been saving at an unusually high rate, and the likelihood that the tax surcharge and spending cut will cool inflation. Responses to the Outlook Survey were received before the tax and spending package became law.

Seven per cent of the executives see the economy shaping up about as they expected six months ago. Then a consensus saw 1968 with more of almost everything—more inflation, more generous labor settlements, more costly equipment and raw materials, more price increases, more taxes, more expensive borrowing, more sales and more profits. The general feeling was one of optimism.

Four per cent offer no opinion.

The businessmen were also asked to compare last year's second half with what they anticipate for this year's second half. Forty-three per cent believe the general level of business will be higher, 36 per cent think it will be about the same, 20 per cent expect it will be lower and one per cent give no opinion.

Asked about their own business-

es, a majority expect sales, profits and prices will be up from a year earlier.

No. 1 headache—inflation

To most businessmen, inflation continues to be the economy's biggest problem.

Saying he is less optimistic for the economy than at the start of the year, M. L. Haider, chairman of Standard Oil Co. (N.J.), thinks it is "unlikely inflation can be slowed significantly before the final months of this year at the very earliest."

The inflation answer is sometimes expressed in other words. For instance, George Champion, chairman of the board of The Chase Manhattan Bank, lists as the biggest problem "wage increases due to a fully employed economy, plus a continuing over-expending both domestically and in the foreign field by our government."

Donald S. Bittinger, president of Washington Gas Light Co., a Washington, D.C.-based gas utility, is less optimistic than he was and believes most of the blame for inflation rests with continued deficit spending by the government.

Some executives attach equal importance to a number of problems. Richard H. Rich, board chairman of Rich's, Inc., department stores, lists social unrest, inflationary pressures that cut into purchasing power, high cost and scarcity of money, fiscal "irresponsibility" of the fed-



Economy's biggest problem is specter of inflation and erosion of the dollar, says Bethlehem Steel President Stewart S. Cort.

PHOTO: ALLAN DELATY-FIX



R. B. Pamplin, Georgia-Pacific Corp. chairman and president, urges a cut in federal spending.



Shoe Corp. of America Chairman Herbert H. Schiff is now "more optimistic" than at first of year.

PHOTO: BOB FINE-FIX

R. A. Lydecker, president of Great American Insurance, expects "union stranglehold" on economy to tighten.



PHOTO: JACOB LOFMAN-FIX

eral government and the war in Viet Nam.

Settlement of the war would go a long way toward straightening out our economic problems, many executives agree, but few are very hopeful this will happen soon.

Proctor W. Houghton, president of Houghton Chemical Corp., puts it this way: "It's sensible to assume that Viet Nam might be solved but this implies confidence in wise leadership judgments, which confidence I no longer have." So he is less optimistic about the economy now than at the start of the year.

R. B. Pamplin, Georgia-Pacific Corp. chairman and president, is more optimistic about business generally, but hinges his optimism partly on settlement of the war.

Strike threat

The steel labor talks pose another uncertainty for the second half. A prolonged strike could clobber the economy by opening the doors wider to low-cost imports and by slashing government tax receipts. So could a high-cost settlement that would throw fresh coals on the inflationary fire, make steel producers less able to compete and set a pattern for other unions to follow.

"The steel industry is currently enjoying a high level of operations that is dependent, to some extent, upon a strike-hedge inventory build-up by our customers," comments Stewart S. Cort, president of Bethlehem Steel Corp. He expects sec-



To Fuller Brush Chairman Alfred Fuller, Viet Nam and big federal spending will be top election issues.



George S. Dillon, Air Reduction president, calls inflation, defense of dollar our biggest problems.

BUSINESS OPTIMISM FADING FOR SECOND HALF *continued*

ond-half results will suffer as excess inventories are worked off, "but steel consumption is at a high level and should continue to be throughout the year."

Mr. Cort warns that "as far as prices are concerned, they will have to rise as our costs rise."

Business leaders are concerned about the long-standing, balance-of-payments deficit which sends more dollars abroad than are returned here, and about the soundness of the dollar. NATION'S BUSINESS asked them to prescribe a cure for the deficit and to detail how the dollar might be strengthened.

To Herbert H. Schiff, chairman and president of Shoe Corporation of America, the best prescription for curing our payments difficulties would be to "curtail government spending abroad, both civilian and military." Then he adds, "Do not restrict imports or increase duties on them. We cannot export if we do not import."

M. J. Warnock, board chairman of Armstrong Cork Co., believes we have to "put our domestic financial house in order and hold wage increases within the bounds of productivity gains so that confidence in the stability of the U. S. dollar can be restored."

The dollar's condition is "extremely critical," says Grant G. Simmons Jr., board chairman and chief executive officer of Simmons Co., the home furnishings concern.

He advises the U. S. to "pull in our military horns" and to stop nourishing "grandiose ambitions of being all things to all people."

Alfred Brittain III, president of Bankers Trust Co., advises "eliminating the inflationary impetus of government spending by limiting outlays to the size of revenues."

Cut back foreign aid and get our allies to carry more of the load around the world is the prescription a number of executives offer.

W. Arthur Grotz, president of the Western Maryland Railway Co., advises bringing home some troops and reviewing our commitments so we can establish some "reasonable priorities."

Expressing the same thought in other words, Hank Roberts, president of Hank Roberts, Inc., a manufacturer of fishing tackle, says, "We must stop being Uncle Bountiful to the rest of the world."

Unhappy with controls

Executives are unhappy with controls that were clamped on foreign investing the first of the year. As they see it, the initial investment flow of dollars out of the United States is more than offset by the greater return from that investment.

William E. Roberts, Ampex Corp. president, recommends the investment controls be ended. Dr. Jesse Werner, chairman and president of GAF Corp., thinks there ought to

be "enthusiastic governmental support to American companies' export and foreign investment activities."

Businessmen were also asked about their own sales, prices, profits, wage costs and investment.

• **Sales.** The outlook is strong, but not as strong as indicated six months ago. Sixty-four per cent of the executives responding anticipate their volume will top that of the second half of last year. But at the start of the year, 82 per cent of the respondents predicted volume for the full year would top 1967's.

Twenty-six per cent see volume matching last year's second half, nine per cent see it falling off and one per cent offer no prediction. The nine per cent expecting a decline compares with only four per cent who anticipated it at the first of the year.

Still, sales are the brightest spot in the economy. J. Ward Keener, board chairman and chief executive officer of B. F. Goodrich Co., is more optimistic about the economy than he was and expects his company's sales and profits will improve because "consumers have eased their tight purse strings of 1967." Others agree.

• **Prices.** A majority of the businessmen say their prices will be up from a year before. They've been hit with a flock of added costs: Wage increases that exceed productivity gains, higher taxes at the state and local level and now at the



Ampex Corp. President William Roberts is more optimistic now but expects peace talks will drag on.



"Failure to put our fiscal house in order" worries E. Hornsby Wasson, Pacific Telephone chairman.

federal level, and higher social security tax payments.

Fifty-six per cent expect their prices will be up from those of the second half of '67. Actually, this is down a trifle from 59 per cent who said at the start of the year that their prices would have to go up.

Thirty-eight per cent expect they'll be about the same as a year before, while five per cent say they'll be lower and one per cent offer no opinion.

• **Profits.** Outlook remains strong but there has been some slippage since the first of the year.

Fifty-four per cent expect their profits will top those of last year's second half, 25 per cent believe they'll be about the same, 19 per cent say they'll decline and two per cent give no answer.

The 54 per cent figure is up slightly from the 51 per cent who expected higher earnings the first of the year. The more significant change is in the number who expect a decline. The first of the year that figure was nine per cent; now it's 19.

While total profits remain generally strong, the profit margin (profit as a percentage of sales) continues to be strained.

• **Labor costs.** Executives were asked by what percentage they expect their labor costs, including fringe benefits, to increase during the second half. More than eight out of 10 give a figure of from

three per cent to 10 per cent, with the lion's share clustered in the five per cent to seven per cent range.

Seven per cent foresee either no increase or one smaller than three per cent; three per cent say the increase will exceed 10 per cent, and seven per cent offer no reply.

• **Investment.** Asked about spending plans for capital investment, 36 per cent of the executives said it will hold at the second half of '67 level. Thirty-four per cent say it will be up, 28 per cent figure it will decline and two per cent give no answer.

Top election issues

The NATION'S BUSINESS survey questionnaire also asked businessmen, "On what issues do you expect the Presidential election will be won or lost?"

Forty-four per cent respond that the war will be the most decisive single issue, although it is not necessarily what will determine their choice among candidates.

And while the largest percentage of them list the war first, many quickly add such concerns as racial unrest, crime and violence, and the nation's economic health.

John S. Fangboner, chairman of National City Bank of Cleveland, puts it this way: "The outcome of the election will depend on the public's feeling as to which candidate can end the war, combat crime in the streets and sustain prosperity."

A slightly different list comes from William B. Johnson, president and chief executive officer of Illinois Central Railroad: Settlement of Viet Nam, fiscal responsibility and "constructive race proposals emphasizing respect for law on both sides."

Edwin Parker, president of A. G. Spalding & Bros., Inc., the sporting goods manufacturer, adds student uprisings to the string of issues.

Thus, in the minds of business leaders, no single issue is likely to dominate the fall campaign.

Nearly 15 per cent of the executives rank racial unrest first in importance, even above the war. Another six per cent believe the economic health of the nation is the top issue.

Seven per cent say that candidates themselves, rather than the issues, will decide the outcome.

E. P. Berg, president of Bucyrus-Erie Co., replies that "whoever offers the most will probably win."

Arthur November, president of Art Shirt Ltd., a manufacturer of women's apparel, sees the winner as the candidate who can offer the country confidence in his leadership. Roger Sonnabend, president of Hotel Corp. of America, puts it in terms of ability to resolve conflicts and pull the country together.

Seven per cent offer no reply and the other replies range over such areas as federal "giveaway programs" and foreign policy. **END**

WILL YOUR VOTE BE COUNTED



THIS YEAR ?

Or will you be disenfranchised by chain ballot, short pencil, padded lists or antiquated statutes

An estimated 118 million people will be eligible to vote in the November Presidential election. But many who will cast a ballot, won't have their votes counted.

Will you be among the disenfranchised? Carelessness or outright fraud could steal your vote.

While voting machines, permanent registration and public indignation have largely eliminated wholesale fraud at the ballot box, if you think every vote is counted, listen to George J. Abrams, chief investigator for The Honest Ballot Association of New York City, who predicts:

"Anywhere from three to three and a half million votes will be lost through election irregularities in November."

And if the brawling election days of Hinky Dink Kenna, Bathhouse Coughlin and Hell-Cat Maggie are today mere memory, the need to protect the sanctity of the ballot box is still as great as ever.

As an example, The Honest Ballot Association figured four million fraudulent or invalid votes were cast in the 1964 elections, about 5.5 per cent of the total. Many races that year were decided by a narrower margin than five per cent.

Hundreds of businessmen, as well as countless civic groups and women's organizations, are gearing up to combat public apathy to election procedures, described by one official as the "vote chiseler's greatest ally."

A number of procedures could invalidate your ballot if you're not on guard. If you want to be sure every vote is counted—yours included—there are a number of things you can do.

"All election irregularities are not fraud," says Mr. Abrams. "There is a lot of carelessness. But there are also a lot of practices going on that shouldn't."

"Voting machines have done much to reduce the number of votes that won't get counted. But I have come to the conclusion, reluctantly, that we need a national election law to make uniform rules and regulations."

The Voting Rights Act of 1965 does provide stringent penalties for

some forms of fraud in federal elections, including a maximum fine of \$10,000 or five years in prison or both for giving false information in order to register or vote.

But in many instances, proof of intent is hard to come by.

Days of fraud

The heyday of widespread vote fraud in the nation spanned the period from the Civil War to well into the Twentieth Century, when big city bosses and machines flourished.

It was the time of notorious practices: "Tombstone voting," and padded registration lists.

Myriad, often conflicting, state election laws are one reason why many voters reach election day before they find they can't cast a ballot.

Residence requirements vary. So do registration regulations. Precinct boundaries are often unknown to the average citizen.

Both major political parties have strongly backed the need for public vigilance to insure honest elections. And in many cities across the nation, voluntary groups have long been active.

In Philadelphia, the "Committee of Seventy," a group of business and professional men started in 1904, again will recruit nearly 1,000 citizens to serve as poll watchers at this election, along with 50 attorneys who will be in radio contact with a "complaint center" to make on-the-spot investigations.

"If the attorney finds the complaint warranted, he immediately turns it over to the district attorney or federal district attorney," says Executive Director Bob Cooper.

In Chicago, the Joint Civic Committee has had as many as 4,000 poll watchers assigned on election day.

The League of Women Voters, the Fair Campaign Practices Committee, the women's division of the Republican National Committee have all been active in warning about shady practices at the polls.

"The best way to insure an honest count is to study your state's election laws, then protest vigorously if

you see the slightest violation," says Rep. William Cramer (R-Fla.) one of the sponsors of the clean elections section of the voting rights law. "If a federal election is involved, complain to the FBI, the U.S. district attorney or the Attorney General of the United States."

Franklin J. Lunding Jr., a young attorney who is executive director of Operation Eagle Eye in Chicago, estimates this Republican-created poll-watching organization will have 6,000 to 8,000 persons involved in the November election, including some 150 attorneys in radio-equipped cars for quick, on-the-spot investigations.

Another group concerned with the same problem in Chicago is the Honest Election Foundation which has taken over this function of the Joint Civic Committee.

Business community helps

"I'm proud of the way the business community has reacted in trying to eliminate the black eye given Chicago in the 1960 Presidential election," says Charles F. Hood, public affairs consultant to the chairman of the board of Standard Oil of Indiana, and an organizer and former director of Operation Eagle Eye.

The organization grew out of a small meeting of businessmen with Republican leaders after the 1960 election, Mr. Hood says. There were accusations of wholesale election irregularities in Cook County in the Kennedy-Nixon race.

It has been active since the 1962 elections and some 150 companies are involved in recruiting poll watchers on a voluntary, bipartisan basis for election day.

Eagle Eye filed a federal court suit after the 1966 general election, alleging election judges stuffed the ballot box in Precinct Forty-seven of the Twenty-fourth Ward, with every Democratic candidate receiving 300 votes and every Republican candidate, three. Dismissed in district court, the suit is now on appeal.

Election irregularity charges involving "ghost voters" have popped up in Indiana's Lake County (Gary)

area and in other towns in the Hoosier State.

The *South Bend Tribune* on Nov. 1, 1962, ran an eight column headline: "Ghost voter list bared."

"In a single South Bend precinct, 280 persons are registered to vote from vacant lots and abandoned buildings," the story said, quoting a survey of voter registration lists made by Gerald L. Murphy and other supporters of a G. O. P. Congressional candidate.

The same story quoted Ideal Baldoni, the St. Joseph County Democratic chairman, as accusing Republicans of "slander . . . lies . . . half-truths and now ghost stories."

Testifying in behalf of a proposed new state election law, Larry S. Landis told the Indiana House of Representatives Elections Committee last year of a survey he had made in Terre Haute, Ind., while a senior student at Wabash College.

"In Terre Haute," he testified, "it was found that of 5,302 persons registered in 11 precincts, 587 did not live at the addresses given as the place of residence. After the election, a follow-up found that 91 of these persons voted in the 1966 general election."

He said this figure represented about three per cent of the total vote in the 11 precincts and that three of the 91 who supposedly voted were dead at the time of his original survey.

"While this does not mean wholesale fraud is taking place in Terre Haute," he told the House Committee, "it should give us pause . . . and proves the present registration method needs to be altered and updated."

Of the nation's estimated 175,000 voting precincts, some 40 per cent will still be using paper ballots in November, and it is the paper ballot that made possible the legendary tricks of such as Hinky Dink Kenna.

Kenna and Bathhouse Coughlin, so-called because he operated out of a Turkish bathhouse, are characters out of Chicago's brawling past who specialized in illegal balloting.

They flourished in the era of politicians like Boss Buckley of San Francisco, who gained a measure of fame with his pronouncement: "The game of politics is not a branch of Sunday school business."

Hell-Cat Maggie figured in New York City politics. Wearing artificial fingernails, she would lead a mob of members from her Battle Row Ladies Social & Athletic Club in a wild foray to a polling place,

chasing away the faint-hearted, who never returned to vote.

With and without whiskers

The legendary Big Tim Sullivan of Tammany Hall was an expert in election stealing. His strategy:

"Vote 'em with whiskers on, then it's to the barber for sideburns and a mustache. Vote 'em again, then back to the barber and leave only the mustache. Hell, man, if you need another vote, shave off the mustache and it's a baby's face he'll have. You get four votes for each man this way."

Violence was common in the reign of Boss Tom Pendergast of Kansas City. Election day, March 27, 1934, became known as "Black Tuesday." There were four murders, 11 critical

chine procedures. Confusion over interpretation was well illustrated in the election in Texas in 1960. Under the law, to vote for a candidate on a paper ballot, a line had to be drawn through the names of all other candidates for the office.

Hundreds marked their ballots only with the traditional "x" to signify the candidate of their choice. This made their votes null and void. But the law also gave the election official on the spot discretionary authority. In some precincts, officials allowed these ballots to be counted. In others, they were tossed out.

What to watch for

If as a businessman—or interested citizen—you are concerned with



Hinky Dink Kenna, a legend in Chicago's election annals.



Bathhouse John Coughlin, the old master at election tricks.

injuries and more than 200 cases of assault.

In the Fifties, in sentencing Louis W. Nathan, a 71-year-old precinct captain to a five-year prison sentence for election violations, United States District Judge Julius J. Hoffman of Chicago commented:

"Tampering with election procedures in one precinct, especially by individuals bold enough to operate under assumed names, fosters the supposition that such fraud not only exists in other areas, but even is an accepted fact of American political life."

The most common election irregularities today involve interpretation of election laws; illegal assistance to the aged, illiterate or handicapped; registration violations and, in some instances, voting ma-

eliminating the last margin of error that any vote might not be counted, here are some practices you should be aware of on election day:

- Chain-balloting—cited as a common method of election trickery, this requires getting an official ballot (easy to acquire, especially in states with liberal absentee ballot laws) which is pre-marked. A "bought" voter then deposits the pre-marked ballot, palms the ballot he obtains before entering the voting booth, marks it and gives it to another "bought" voter to repeat the scheme over and over.

- Padded registration lists—those which include names of persons who have died or moved away, are another common complaint. Not as common, but it has happened, is for a registered voter to find his name

The wish books



are they immoral?

Oddly enough, some people seem to think so.

They seem to think that all those glorious catalogs—the kind in which you can lose yourself for hours on end in pleasant daydreams—encourage us to spend money on things we really don't need.

They think that all the different brands of the same kinds of products—all clamoring for your attention—represent an economic waste.

They'd like to avoid all that by having fewer brands competing for your attention. Less advertising.

But, when you come right down to it, that's not the kind of thinking that created so many of our jobs in this country.

It's not the kind of thinking that has given us a standard of living most of the world envies.

The ivory tower critics call competition wasteful.

Yet, isn't it *just this competition* that has created our jobs and our prosperity?

Isn't it competition that drives manufacturers to work harder . . . to bring out new products that make life easier and more fun . . . to build better products and to keep prices down?

Manufacturers *have* to innovate and build better and keep prices in line . . . **or Americans just stop buying.**

That's the way the system works. We, the consumers, have the ultimate weapon—**free choice.**

And, since nobody knows how much you can interfere with the free-choice system without damaging it . . . *let's be careful about how we tinker with it in response to the critics.*

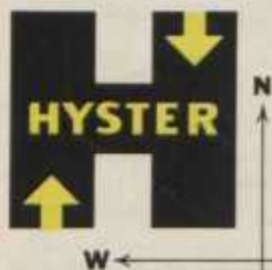
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WILL YOUR VOTE BE COUNTED? *continued*

has been "lost" from the official list.

- **Illegal assistance**—An unscrupulous election official influences the naive by advising him how to vote.
- **Spoiling ballots**—It's easy for a vote thief to nullify a ballot by marking it with graphite concealed under a fingernail or a "short pencil" held in the palm of the hand or by tearing it.
- **Disqualification**—Election judges frequently vary in what they consider grounds for voiding ballots.
- **Jammed voting machines**—Accidents do happen. But they can be made to happen, too.
- **Fast count**—Where totals are read by scheming precinct officials to recorders at a rate too fast to be heard.

There are a number of steps various groups and officials recommend that you take to make sure there is no careless or fraudulent count at your precinct.

To avoid padded voter lists, make a complete and accurate canvass six and three months in advance of an election, listing all voting age residents.

Make sure precinct leaders keep their lists constantly updated on deaths and departures, so vote thieves can't bring in impersonators.

Both parties should have alert poll watchers. Additional poll watchers can be placed outside the polls, armed with cameras to record any suspicious activity.

Report irregularities at once to the chief of police, press and your party county chairman.

Work to get your state voting law tightened if it is ambiguous on ballot disqualifications.

Challenge all suspicious activities if you are a poll watcher.

Make sure officials of all parties inspect voting machines before they are locked at the warehouse prior to shipment to precinct polling places.

Make sure officials of all parties voting have complete, up-to-date lists of eligible voters at every precinct.

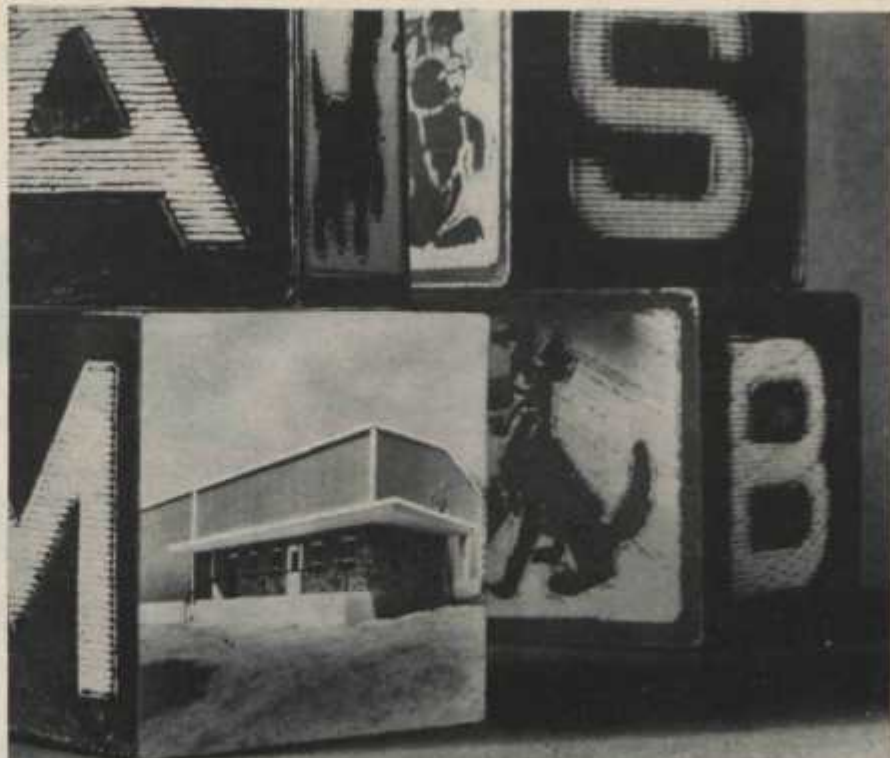
Make sure a voting machine mechanic is on hand.

Be active. Don't depend upon someone else to do all the work.

This last piece of advice is probably the most important. An old-time politico, talking about election irregularities, says:

"The public is lax as hell. If you want to stop fraud at the ballot box, find out what voting is all about and then turn out in herds. What the hell could anybody do then?"

END



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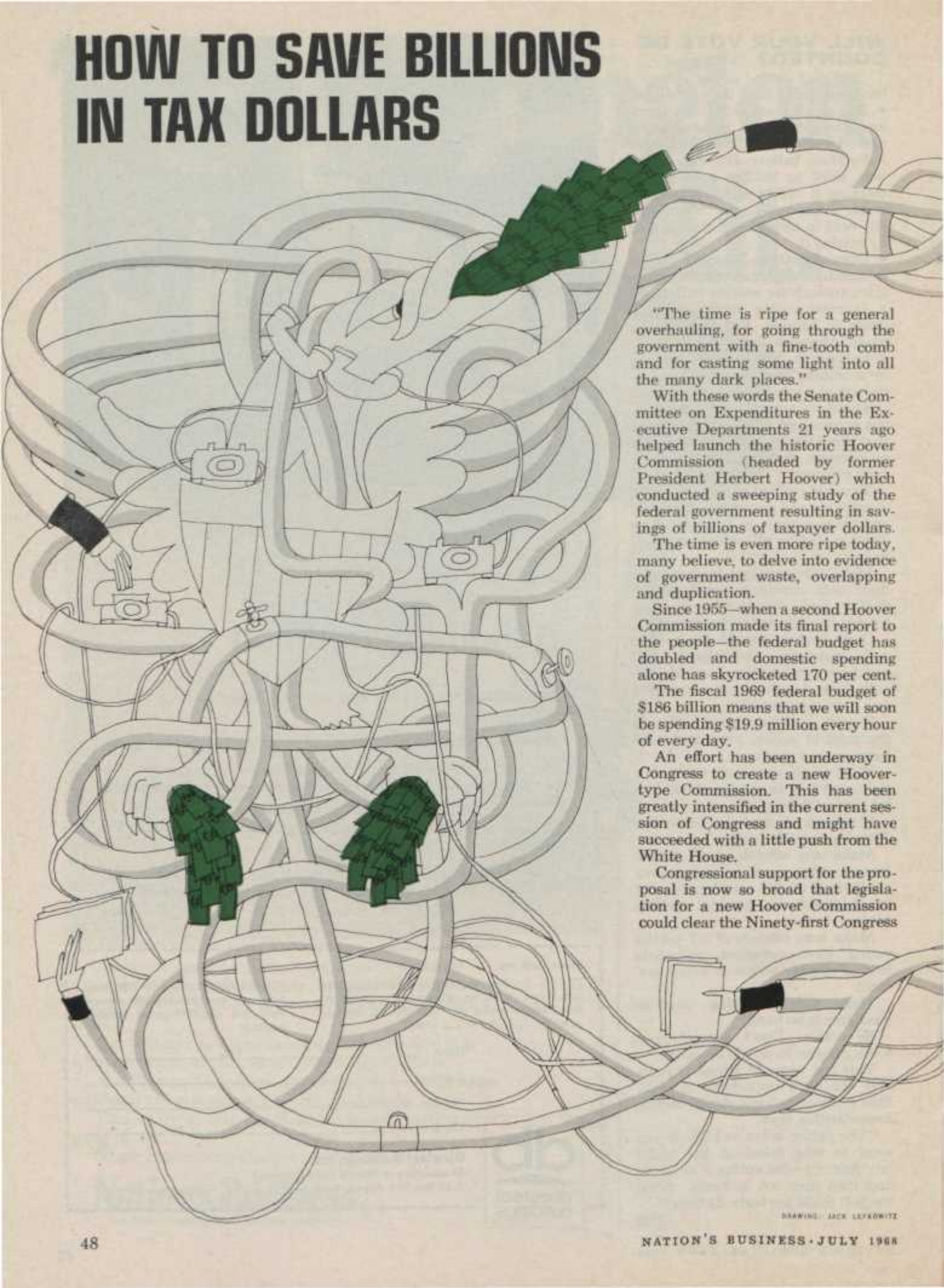


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HOW TO SAVE BILLIONS IN TAX DOLLARS



"The time is ripe for a general overhauling, for going through the government with a fine-tooth comb and for casting some light into all the many dark places."

With these words the Senate Committee on Expenditures in the Executive Departments 21 years ago helped launch the historic Hoover Commission (headed by former President Herbert Hoover) which conducted a sweeping study of the federal government resulting in savings of billions of taxpayer dollars.

The time is even more ripe today, many believe, to delve into evidence of government waste, overlapping and duplication.

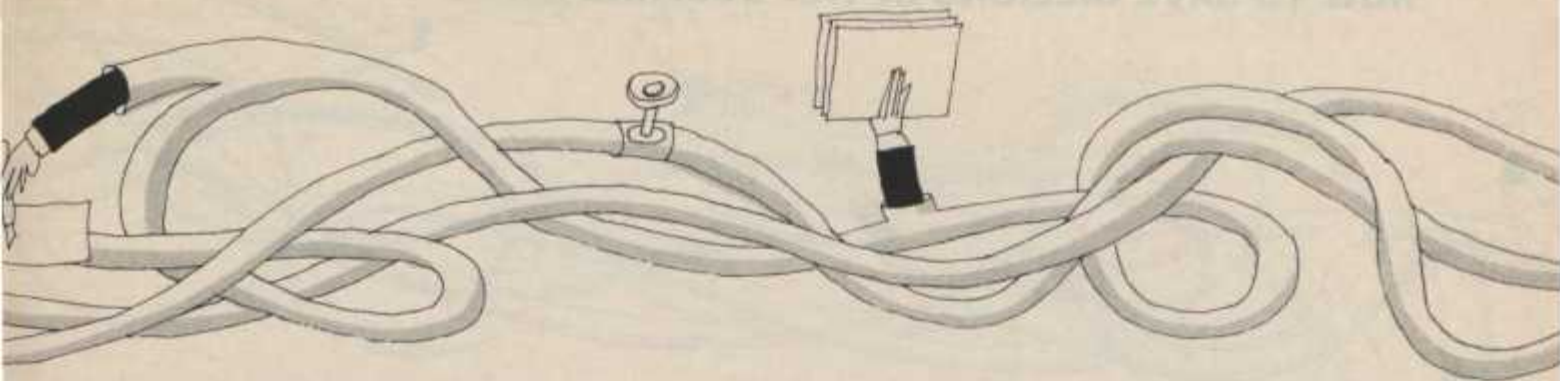
Since 1955—when a second Hoover Commission made its final report to the people—the federal budget has doubled and domestic spending alone has skyrocketed 170 per cent.

The fiscal 1969 federal budget of \$186 billion means that we will soon be spending \$19.9 million every hour of every day.

An effort has been underway in Congress to create a new Hoover-type Commission. This has been greatly intensified in the current session of Congress and might have succeeded with a little push from the White House.

Congressional support for the proposal is now so broad that legislation for a new Hoover Commission could clear the Ninety-first Congress

DRAWING: JACK LEFKOWITZ



opening in January. In fact, there is a strong likelihood that both Republican and Democratic nominees—whoever they may be—will come out for some form of a wide-ranging study of the government's operations.

The government has become so vast, so complex, it is difficult even for experts to determine what agency is doing what, for whom and what it costs.

Too many cooks

At last count, 150 separate departments, agencies, bureaus and boards in Washington—plus over 400 regional and area field offices—were piping programs to states, cities and individuals through 459 separate channels.

This is the count of Sen. Abraham Ribicoff, chairman of the Senate Subcommittee on Executive Reorganization and author of one of many bills calling for a new study of the

Eight departments and four agencies operating major credit programs which strongly affect monetary policy.

Ten agencies in three departments managing manpower programs.

"We spend so much time responding to crises that we are unable to anticipate situations before they reach crisis proportions," says Sen. Ribicoff. "Thus, the net result of our massive federal effort in recent years seems to be an instrument of national policy that is unplanned, uncoordinated, unmanaged, and—if these trends continue—unworkable."

The government operates in a sea of paper work. Everything is committed to paper, be it memo, letter, directive, order, documents of all sorts. Several years ago it was disclosed that Washington's major export was scrap paper.

The Archivist of the United States

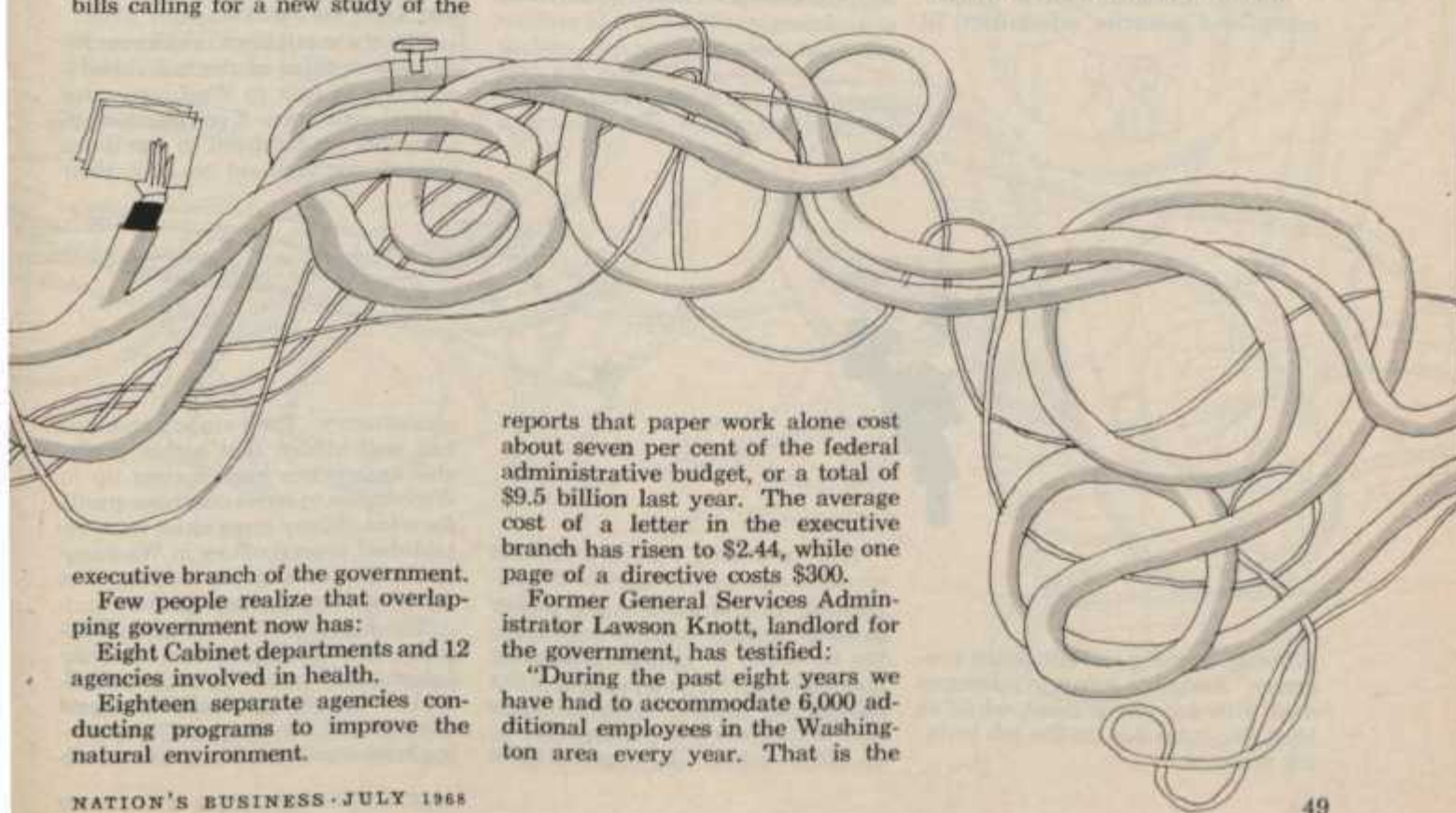
equivalent of about a 900,000 or one million square-foot building every year."

Many gripes about bigness

Complaints of big government pour into Washington, from businessmen and private citizens alike. It is a continuing complaint in Congress. Major Congressional committees spend much of their time trying to eliminate waste and duplication. All too often when they correct one situation several new ones crop up someplace else.

The complaints come even from high within government itself. Under Secretary of Commerce Howard J. Samuels comments:

"Just as the problems of business have grown enormously in their complexity, so have the problems of government. Business has learned very well how to cope with the new complexities—but government, I'm



executive branch of the government.

Few people realize that overlapping government now has:

Eight Cabinet departments and 12 agencies involved in health.

Eighteen separate agencies conducting programs to improve the natural environment.

reports that paper work alone cost about seven per cent of the federal administrative budget, or a total of \$9.5 billion last year. The average cost of a letter in the executive branch has risen to \$2.44, while one page of a directive costs \$300.

Former General Services Administrator Lawson Knott, landlord for the government, has testified:

"During the past eight years we have had to accommodate 6,000 additional employees in the Washington area every year. That is the

afraid, has not learned as well. No business today tries to operate by the business methods of even 10 years ago. But government is still trying to run with the methods and structures of 50 years ago. We are suffering from horse-and-buggy government in a supersonic age."

Approximately 60 agencies report directly to the President in addition to 12 cabinet level departments. Such a number, it has been pointed out, far exceeds any reasonable span of executive control.

There are more than 260 federal poverty programs administered by 16 separate departments and agencies. Five agencies are involved in administering federal programs for community water supply, sewers and sewage treatment plants. Three separate programs cater to the treatment of deaf children and over 30 are involved in the training of teachers.

Also, 15 different federal departments and agencies administer 79

Everything in Washington calls for a plan. If you want to build a multimillion-dollar dam in Arizona or a one-room school house in Appalachia, you must have a plan.

According to a list developed by the Bureau of the Budget—and this was almost two years ago—there were at least 93 programs, administered by 38 bureaus and offices in 13 departments and agencies which required some kind of planning. Of these 93 programs, 67 required state plans and 14 required project plans; 18 called for conformance with an area-wide comprehensive plan and 12 required conformance with an area-wide functional plan.

If Washington is submerged in paper work, it is drowning in committees. There are literally hundreds of interagency coordinating councils, committees, task forces and agreements of varying size, membership, importance and effectiveness.

34 groups, the Office of Education is involved in 33 such activities, the Vocational Rehabilitation Administration in 26, and the Welfare Administration in 15—for an over-all departmental total of 108.

Rep. Charles McC. Mathias Jr., Maryland Republican, who has been joined by over 40 cosponsors in seeking some form of Hoover-type Commission investigation, points out:

"Some agencies are fat; others are thin. Some offices are weak; others are musclebound. Some are experimenting with the most advanced techniques of systems analysis and management; others have had to be dragged, kicking and screaming, into this decade.

"It is this very lack of uniformity, this absence of consistency or coherence, which has convinced me that managerial reforms, to be effective, must be broad and deep."

Can't tell the players . . .

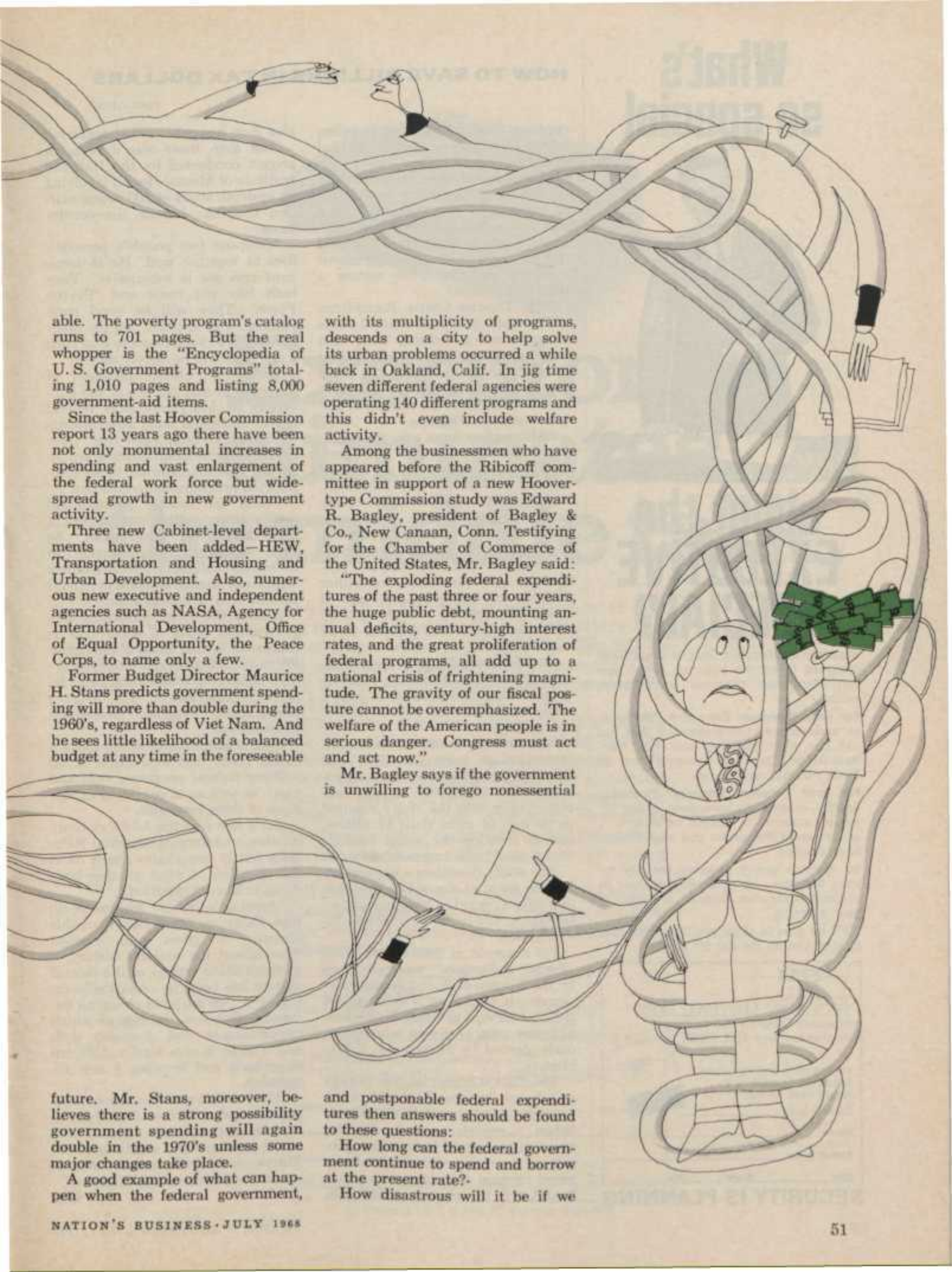
Pity the small town or community—to say nothing of the individual—who has to look to Washington for federal assistance. Even members of Congress are hard put to run down federal grants-in-aid to help their

different training and education programs. And nine separate programs deal with job recruitment, while at least five subsidize on-the-job training projects.

It is surprising that any Cabinet member ever gets around to the important tasks of decision and policy making. Take, as only one example, the Secretary of Health, Education and Welfare. He is chairman of six interagency groups, sits on 22 others and designates a representative to an additional six. To augment these

constituency. They are so numerous and well hidden that highly profitable enterprises have sprung up in Washington to ferret out these grants for a fee. Many large cities have established special offices in Washington with staffs doing nothing but tracking down Federal grants.

The Department of Health, Education and Welfare alone has published a 527-page "Catalog of Federal Programs for Individual and Community Development" containing brief synopses of the grants avail-



able. The poverty program's catalog runs to 701 pages. But the real whopper is the "Encyclopedia of U. S. Government Programs" totaling 1,010 pages and listing 8,000 government-aid items.

Since the last Hoover Commission report 13 years ago there have been not only monumental increases in spending and vast enlargement of the federal work force but widespread growth in new government activity.

Three new Cabinet-level departments have been added—HEW, Transportation and Housing and Urban Development. Also, numerous new executive and independent agencies such as NASA, Agency for International Development, Office of Equal Opportunity, the Peace Corps, to name only a few.

Former Budget Director Maurice H. Stans predicts government spending will more than double during the 1960's, regardless of Viet Nam. And he sees little likelihood of a balanced budget at any time in the foreseeable

future. Mr. Stans, moreover, believes there is a strong possibility government spending will again double in the 1970's unless some major changes take place.

A good example of what can happen when the federal government,

with its multiplicity of programs, descends on a city to help solve its urban problems occurred a while back in Oakland, Calif. In jig time seven different federal agencies were operating 140 different programs and this didn't even include welfare activity.

Among the businessmen who have appeared before the Ribicoff committee in support of a new Hoover-type Commission study was Edward R. Bagley, president of Bagley & Co., New Canaan, Conn. Testifying for the Chamber of Commerce of the United States, Mr. Bagley said: "The exploding federal expenditures of the past three or four years, the huge public debt, mounting annual deficits, century-high interest rates, and the great proliferation of federal programs, all add up to a national crisis of frightening magnitude. The gravity of our fiscal posture cannot be overemphasized. The welfare of the American people is in serious danger. Congress must act and act now."

Mr. Bagley says if the government is unwilling to forego nonessential

and postponable federal expenditures then answers should be found to these questions:

How long can the federal government continue to spend and borrow at the present rate?

How disastrous will it be if we

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SECURITY IS PLANNING

HOW TO SAVE BILLIONS IN TAX DOLLARS

continued

continue the inflationary-breeding policy of excessive (deficit) federal spending?

How shall we restore international confidence in the dollar in the face of remarks by foreign bankers that the United States must dampen the boom through tighter money and higher taxes and cut government spending sufficiently to restore a balanced budget?

Rep. Thomas Curtis, Republican of Missouri, is worried that all levels of government—federal, state and local—are constantly expanding their interests and influence to the point they are intervening more and more in what should be the domain of private business. He says:

"Although at times government involvement in business may be necessary, bigness simply for the sake of bigness is wasteful and inefficient, when private enterprise, one of the institutions on which this nation was built, can perform the same services more efficiently and at lower cost."

Government at all levels, two generations ago, was employing—either directly or indirectly—five out of every 100 working people. But by 1965 that figure had jumped to 26 out of 100.

Sen. James B. Pearson, Rep.-Kansas, author of still another Hoover-type bill, says the benefits of such a study would far outweigh its cost to the taxpayer.

For instance, the first Commission investigation, began in 1947, was financed by a Congressional appropriation of \$1,983,600. It was estimated later that the study resulted in savings of more than \$7 billion, not to mention the social benefits that flowed from improved services.

Any study doubtless will focus attention on what many Congressmen and others regard as frivolous undertakings in the name of scientific investigation.

For example, in 1966 a book titled "Social Indicators" was published by the Bureau of Social Science Research. It contained a criticism of the FBI for exaggerating the national crime rate, a charge later vigorously denied by Director J. Edgar Hoover.

The \$231,000 cost of this project was borne by the National Aeronautics and Space Administration. When a reporter asked why the space agency undertook such a subject so far removed from its designated mission the answer was that NASA felt the project would help

give it an image of "social concern."

And then there was a research project conducted by the National Institute of Mental Health involving an in-depth study of 200 young married couples. Among the conclusions:

"Suppose two people's personalities fit together well. He is dominant and she is submissive. They both like pot roast and 'Peyton Place.' They will be good companions, a good team. On the other hand, it is at least possible that such a marriage will be merely dull."

Conley H. Dillon, professor of government and politics at the University of Maryland, says federal aid to state and local governments reached \$14.6 billion last year. Over 92,000 governmental entities are involved in administering these complicated programs, he points out.

"With the federal grants-in-aid programs, supporting every aspect of state and local government," he says, "isolated reorganization of these units cannot be effective unless significant change is made in federal policies and administration."

Among the many advocates of a government study of some type is Chairman Wilbur Mills of the House Ways and Means Committee, an ardent believer in sound fiscal management in government. He favors a Government Program Evaluation Commission.

Such a commission would make a broad study and evaluation of all existing federal programs (old and new) as well as of projected expansions of these programs.

Early this year the Advisory Commission on Intergovernmental Relations put in remarkably sharp focus the question of what all this boils down to when it reported:

"America's federal system is on trial today as never before in this century of crisis and change. Throughout the nation's history, a distinguishing feature of the federal system has been its remarkable capacity . . . to adapt to changing demands. But now the rate at which circumstances and demands shift and change is of a totally different magnitude and imposes a new dimension."

"Despite this new dimension, some policies and attitudes of the federal establishment continue more attuned to the problems and solutions of the Thirties and Forties than to the horizon of the Seventies and Eighties."

END



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NEW PLAN TO SPUR INTERNATIONAL BUSINESS



There's increasing talk about the U. S., Britain and Canada—and possibly other nations—joining in a free trade area

Business men are contributing money to find out all about it. . . .

Congressmen are increasingly looking into it. . . .

The President's trade expert, William N. Roth, let the cat out of the bag and admits he is measuring the impact of it. . . .

Academics and economists are either intrigued or repelled by it. . . .

The U. S. Tariff Commission is studying it. . . .

The State Department doesn't

*Associate Editor Sterling G. Slap-
pey interviewed businessmen and
political leaders in London, Wash-
ington and New York in preparing
this article revealing an important
world trade development.*

like it and acts as if there's no hope for it. . . .

"IT" is a proposed North Atlantic Free Trade Area between the United States, Britain and Canada, called NAFTA.

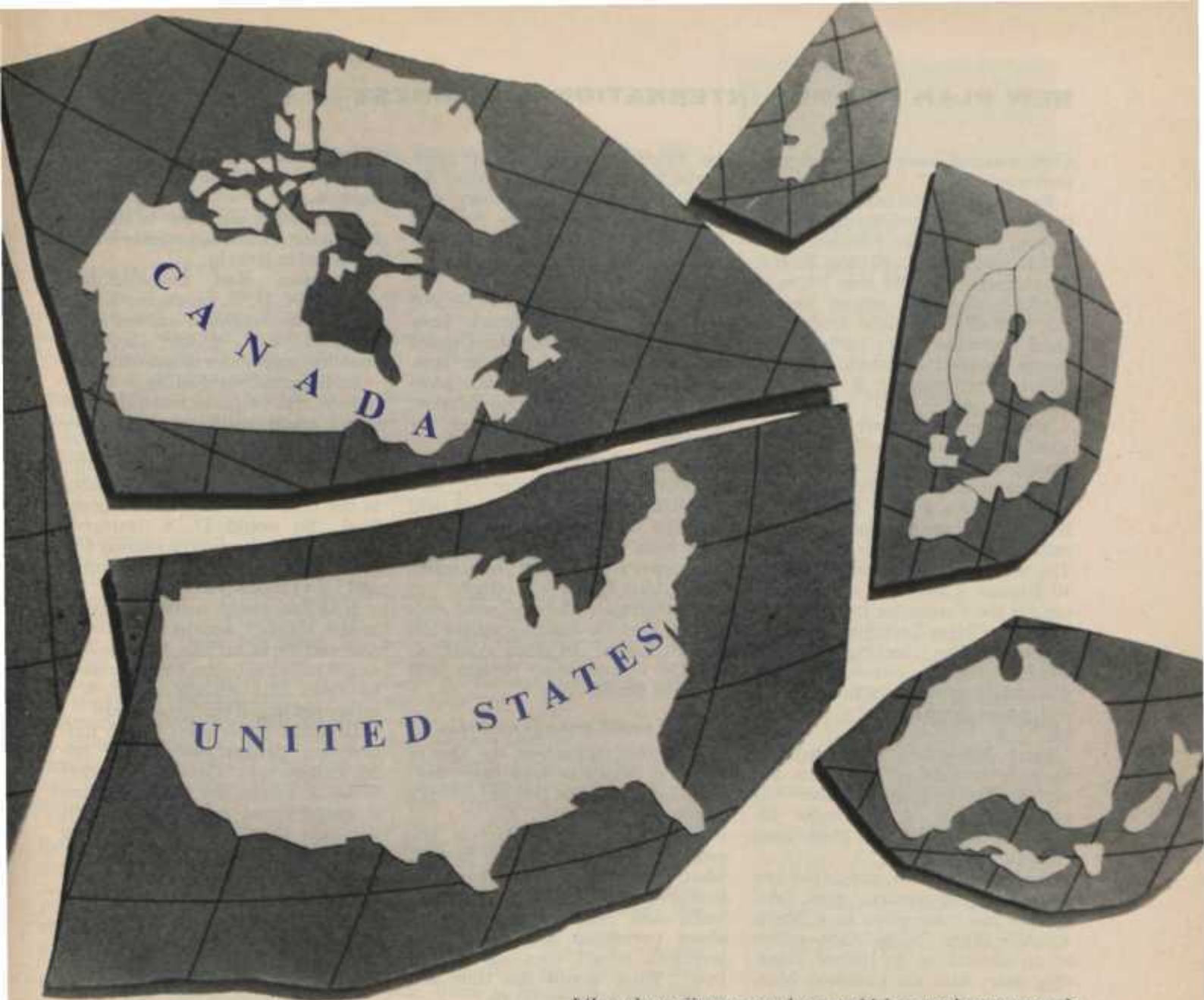
In Washington big events often cast short shadows. And NAFTA could become big, indeed. Such a free trade area could be of vital importance to American business.

There's the possibility it might stretch its bounds once it is set up to include Australia, New Zealand and Japan. Some or all of Britain's present partners in the European Free Trade Association—Norway, Sweden, Denmark, Portugal, Austria and Switzerland—might also come in.

If they did the name would be changed to International Free Trade Area (IFTA).

Such geography-smashing is a long way off, but the possibility of a U. S.-British-Canadian free trading agreement is closer. It should not be called a probability yet, but it is a strong possibility.

"Free trade area" is a phrase Americans are not particularly familiar with. What one does is abolish tariffs and provide for free movement among member nations of virtually all their traded products. Unlike a common market, a free trade area permits a member nation to trade with nonmember nations on whatever separate basis it wishes.



Like a huge jigsaw puzzle a world free trade area may be in the making involving Canada, Australia, U. S., UK, New Zealand and Japan. It would revolutionize tariffs and trade.

In recent years many nations have rushed to join common markets or free trade areas. Their reasons are that tariff cutting, à la Kennedy Round methods, is finished; that their own trade or the trade of a closely allied nation can be helped and that nations, when left too much on their own in political and economic matters, often turn to dangerous nationalism.

Friends in Congress

There is much behind-the-scenes work going on right now for a free trade area.

Sen. Jacob K. Javits of New York is quietly running a fund drive among businessmen for money needed to finance studies, publicize

findings and send representatives to London and Ottawa for talks.

"Personally, I will do all I can to get the consideration of the Joint Economic Committee and other pertinent committees of the Congress to hold hearings on this concept this year," Senator Javits says.

In the House of Representatives, Democratic Congressman Jonathan Bingham of New York and Republican Paul Findley of Illinois are backers.

Congressman Bingham calls NAFTA "an attractive thing to think about. It would be a help for American business. It is something that must be talked about further among businessmen, aca-

demicians, trade experts and people here in Washington."

NAFTA's missionary on Capitol Hill is Congressman Findley who has arranged luncheons and meetings between Representatives and visitors from Canada and Britain. After these meetings, Mr. Findley says a few Congressmen "remain skeptical, but many leave with the same enthusiasm I had when I first learned of the idea.

"I'm excited about the possibilities, political as well as economic, that such a free trade area would have. If the Joint Economic Committee would hold hearings or if some prestigious research group like the Brookings Institution would do an in-depth study, then I think

Congressional awareness and support would grow."

Some of the present study activity was energized a year ago by a letter sent to *The London Times* which said the U. S. and British governments "should now begin to consider contingent means, including mutually beneficial trade and fiscal reforms, for saving and strengthening the historic relationship between our (U. S. and British) nations."

The letter was signed by 10 Senators, 29 Representatives, five Governors, 31 university presidents and five university chancellors.

The letter attracted attention in Britain, but got hardly a whiff of publicity in the American press. The same was true of a meeting of 40 Britons, Canadians and Americans at the Center for International Studies at New York University in February. The meeting, financed with \$10,000 of university funds, was called to refine a five-part investigation carried out by the Center.

Next November—significantly a week after political elections are out of the way—the Center will publish results of five major investigations of the free trade area concept.

Ambassador Roth, who is the key figure in tariff matters, says, "Attention has been given to a North Atlantic Free Trade Area—either as an alternative to United Kingdom entry into the Common Market or, possibly, as a first step toward an enlarged free trade area that could embrace most, if not all, of the developed countries. We are trying to measure the economic impact of such arrangements, as well as their advantages and disadvantages to U. S. trade."

How Britain and Canada see it

Interest is steadily increasing in Britain and Canada. Scores of prominent businessmen, political leaders and university people favor Britain's entry into a free trade arrangement rather than the Common Market. Others want to take, at the very least, a long hard look at NAFTA.

An official delegation from the Japanese Government is reporting back on its free trade area findings after an exploratory trip to the United States. Australia and New Zealand are closely watching developments.

The idea of leading nations of

the English-speaking world banding in free trade was for years the baby of idealists and others who thought the world was saved if Anglo-Saxons would only stick together economically as well as politically.

Something more than sentiment and tradition was needed, however, before U. S. commerce would be altered. Also, there was Britain's bid to join the Common Market. With Britain in the Market, there would be less need for NAFTA.

Gen. Charles de Gaulle keeps blackballing Britain's entry, and few Britons still believe they will get into the Market. There seem to be even fewer Americans—except star-gazers of the State Department—who think France will relent.

Furthermore, there is solid conviction that De Gaulle's moves are French moves. In other words, after De Gaulle dies, Britain still could be denied entry.

What it would mean to business

With this realization, the idea of NAFTA began to take more definite shape. That is precisely what's happening now.

Assuming that, within a few years, a free trade area is formed, what would that mean to American business? Would it include Australia and New Zealand? What about petroleum and agricultural products, would they move duty free? What would the time element be for reducing tariffs?

Until questions of what nations, what products and what timing are settled, preciseness is impossible. But, the best thinking is that adjustment aid to some industries might be needed in early NAFTA days to ease the shock.

It seems safe to say, however, that NAFTA would probably make it possible for U. S. coal firms to deliver coal to Newcastle at about \$6 or \$7 a ton cheaper than British coal firms can.

One set of figures indicates American coal could be mined, shipped to Britain, buried in the ground and remined cheaper than Britain can dig its own coal.

U. S. sale of fine papers to Canadian users would no doubt increase. Cheap Canadian papers would find increased sales here.

American feed grains would find much larger markets abroad. On the other hand woolen imports from Britain would probably increase.

U. S. computers would be bigger than ever on British and Canadian markets.

Some slight increases in sales of U. S. automobiles apparently would be scored in Britain.

Canadian steel manufacturers would give U. S. producers a real run for the expanded markets. Integration of U. S. and Canadian chemical companies might result.

U. S. industries dealing in essential oil and perfume materials and travel goods would have to move smartly to stay ahead.

It would appear that the many-sided machinery-making industry in the U. S. would be hugely benefited. So would U. S. transport equipment makers; professional and scientific instrument manufacturers and food processors.

NAFTA would increase buying in this country, add to the number and variety of articles for sale and would help the balance of payments by about \$318 million a year, it is estimated in one economic study.

It would throw open the 55 million-man British market and the 20 million-man Canadian market to U. S. goods. At the same time it would throw open the 200 million-man U. S. market to Britons and Canadians.

During the first years of a free trade area the biggest economic beneficiaries would be Canadians, then the British. Canadian exports would go up about 15 per cent, British about eight per cent and American just over two. But as the years went by, economists of all three nations say, the United States would increase its percentage faster than the others owing to its enormous volume of trade, its efficiency and vast research and development programs.

In politics, the United States would be the big benefactor. For example, as the British economy improved, the United States could and undoubtedly would persuade Britain to re-assume some of her now abandoned world duties and her international role. Britain's recent decision to pull out of the area east of Suez means the United States probably will pay more attention to the area.

A healthy Britain could go back to guarding that region.

Britain has been turning inward during her time of troubles. This must be stopped or the United States will lose a trusted friend as well as one of our best markets.

The dollar and pound sterling lean on each other. Though neither is in robust health right now, they have helped each other, in the past, to advantage.

The case for NAFTA

Backers of a free trade arrangement, as well as some detractors, see many favorable angles for United States, Britain and Canada.

A free trade area would not require Americans to relinquish any part of their national sovereignty as does a common market.

NAFTA would be acceptable under the rules of the General Agreement on Tariffs and Trade (GATT).

Complaints about the growing size of U. S. investments in Britain and Canada would have less relevance.

American money, know-how and energy would force industries of member nations to sharpen up. Britain would even have to correct her restrictive labor practices.

American companies that set up in Britain, expecting that Britain would someday get into the Common Market, would be given added importance by NAFTA.

Many U. S. companies, established in Britain purely as entry point for the Common Market, have not prospered because of a sick British economy and because they are not serving the expanded market they were designed to serve.

Chances for a relatively happy trading relationship are better in dealing with old friends like Canada and Britain than in dealing with the French.

There is the common language, many common weights and measures, similar labels.

Because of proximity, the United States has often sought closer ties with Canada. Through NAFTA she would get them.

NAFTA would immediately abolish many of the pesky low percentage tariffs which plague international trade and often cost as much to collect as they are worth for protection.

A technical community would be created through NAFTA which would be unchallenged in efficiency and size by the Soviet Union, the Common Market or anyone else.

One argument on behalf of bringing Japan into a free trade area is that unless Japan gets a major partner to trade with, such as the United States, she is almost certain

to turn to Red China. The West has already lost mainland China, it is pointed out, and cannot afford to see Japan go as well.

While the group of NAFTA backers is growing, there remains a large, hard-core group opposed to the idea.

As might be expected, this includes Common Market people who see a NAFTA as too big a challenge to their own trading club. State Department officials today still go along with policy laid down by George Ball when he was Under Secretary years ago—that the United States is determined to have Britain in the Common Market.

European Free Trade Area people take a dim view of NAFTA, and for good reason.

If Britain goes into NAFTA, EFTA will be out of business or reduced in importance. If Britain goes in NAFTA taking other nations of EFTA with her, that could mean EFTA would have to blend into NAFTA.

And the case against

Arguments raised against a free trade area run along these lines.

The United States would so dominate the area that no other nation would get enough out of it to make it worthwhile.

The world trend is toward wider free trade, not regionalized free trade.

Detractors of NAFTA concede that if Australia and New Zealand join, there is increased possibility of NAFTA success.

NAFTA backers are disparaged as being anti-Common Market Britons; Canadians who seek quick increases for their businesses; Americans who overemphasize solidarity of English-speaking peoples and underemphasize pragmatism; Americans who want to use an economic creature to further the political aims of the United States.

Meanwhile, cold winds blow around Uncle Sam and the dollar isn't what it used to be.

All of this could mean that some old beliefs, methods and going it alone, don't seem to work as well as they once did. Even the mighty United States may need intimate trading partners as well as close political ties.

And, if the United States can get these ties, and at the same time bolster its old friend, Britain, and the pound sterling, it would be striking a bargain. **END**

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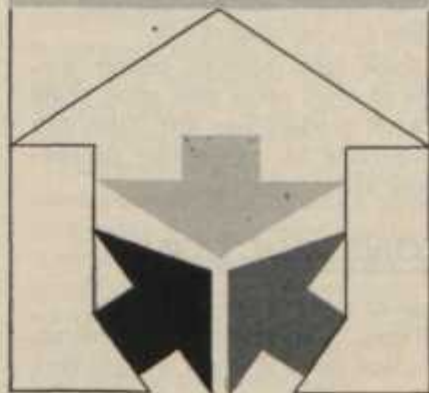
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BUSINESS: A LOOK AHEAD

Shift in home building

(Construction)

Back door to Common Market

(Foreign Trade)

Switch to plastics

(Manufacturing)

AGRICULTURE

New dairy product with big competitive potential is undergoing test marketing in Pennsylvania.

Product is dried whole milk, produced by new process developed by Agricultural Research Service laboratory in Philadelphia.

Nonfat dried milk has been around a long time, but dried whole milk is considered a breakthrough.

Drying process is carried out in a vacuum.

Milk is transformed into foam by injections of nitrogen or compressed air, then water is removed in vacuum evaporator.

Test marketing program sells product for 49 cents for two quart-equivalent containers, considered competitive with half gallons of whole milk.

Test results won't be available until late summer or early fall.

Some farm sources believe success of dried whole milk effort could kick off product war with fluid milk comparable to competition between butter and oleomargarine.

CONSTRUCTION

Build a new house in a week?

Home builders may get construction time down to seven or eight work

days within the next few years, industry experts estimate. Many builders already have reduced construction time to 15 days.

Reduction of building time is expected to continue as homes are increasingly made of components fabricated in the plant, assembled at central point and hauled to building site.

This is one area where 49,000-member National Association of Home Builders is concentrating. Two others cited by NAHB President Lloyd E. Clark are manpower and marketing.

In manpower, there's special apprentice training program with Labor Department to train carpenters, bricklayers and other skilled workers. NAHB also expects further development of power tools to reduce skills needed by on-site employees.

In marketing, home builders are stepping up campaign to persuade public to upgrade living environment, spend more on housing.

High interest rates and scarcity of mortgage funds remain big industry problem; but 1968 construction is expected to hit 1.4 million units, including apartments.

CREDIT & FINANCE

Credit pinch hasn't depressed

housing starts—yet. But shape of money market has already had big impact on type of construction. That's in mix of single-family and apartments.

Total new units built in April of last year was 113,700 with 79,800 in single-family and 33,900 in multifamily construction.

This April's total was 164,400 units, with single family up to 100,400 but multifamily nearly doubling to 64,000.

Total construction for first four months of this year was 455,200 units, increase of nearly 130,000 over similar period last year. Of increase, 53,000 was in single-family, 76,500 in multifamily structures.

National Association of Home Builders explains that many single-family builders now are going in for multifamily construction because of limitations on mortgage financing of single-family units.

Spokesmen say these builders get shorter-term construction loans for large projects, then sell to buyers financed increasingly by life insurance companies favoring this type of investment.

FOREIGN TRADE

American business is finding a backdoor to the Common Market in Latin America.

It's Surinam, a country the size of Georgia on the northeast coast of South America; it's a possession of the Netherlands, a Common Market member, and so an associate member with full rights within the trading bloc.

Investment there is encouraged by the U. S. government and welcomed by Surinam, which offers inducements to Americans.

Alcoa has had a big operation there since 1916 and is second only to the government in employment. Other U. S. firms there include International Telephone and Telegraph, St. Regis Paper, Esso, Texaco, Alcoa



Ground-based equipment to disperse fog offers the best long-range prospects for reducing delays and flight cancellations at the nation's busy airports.

Steamship and several life insurance companies.

Companies eyeing prospects there are Weyerhaeuser, Kaiser Aluminum & Chemical, Reynolds Metals, Chase Manhattan Bank.

At least a dozen others are looking around but not discussing it publicly.

MANUFACTURING

Little-noticed move by U. S. Steel spurs industry interest in corporation's diversification moves.

Big Steel has purchased assets of plastics division of General American Transportation Co., including five plants producing wide variety of plastic products.

It's a natural, since U. S. Steel produces large amounts of coke oven gases as by-product in steel making; this is valuable source of raw materials used in plastics.

Move has been discussed for a long time, is U. S. Steels' first acquisition in plastics, which are in competition with steel in some product lines.

There's speculation on future moves in plastics.

Corporation's diversification moves recently include agreement to buy domestic business of Armour Agri-

cultural Chemical Co., Midwest manufacturer of chemical fertilizers.

NATURAL RESOURCES

Government air-pollution actions in months ahead will have great impact on energy sources and demand for pollution abatement equipment.

Public Health Service announcement last month said total of 32 areas will be put on notice by mid-1969 to meet federal air quality standards. Once these are designated, states will be given 15 months to comply. First standards are being issued this summer and involve sulfur dioxide, a product of fuel combustion, and "particulate matter," mainly dust.

First areas designated will be New York, Washington, Philadelphia and Chicago.

MARKETING

Heavy Congressional schedule cuts prospect of legislation overhauling business relations between suppliers and franchise dealers.

Legislation sponsored by Sen. Philip Hart of Michigan is complex, would limit freedom of suppliers, reduce obligations of franchisees. Proponents

of legislation say there are abuses deriving from market power of franchisors.

Opponents don't argue that no abuses exist, but say they are too rare to warrant far-reaching legislation.

Franchising is booming. Some estimate it accounts for 10 per cent of goods and services produced in United States, fully 25 per cent of retail sales.

Business argues that franchising offers great promise for overcoming two main problems confronting Negroes entering business: Lack of capital and management experience that franchisors provide. If action does not come this year, pressures for legislation will resume next session.

TRANSPORTATION

Dramatic progress in reducing costly delays and cancellation of air flights due to bad weather at airports will begin this fall.

That's the flat prediction of Air Transport Association which began eight-week series of fog-dispersal tests on Cape Cod last month.

Earlier tests on West Coast proved that chemical seeding of fog from airplanes was 70 per cent effective, impressive in view of industry's loss of \$75 million a year due to bad weather, mainly fog.

Chemicals cause fog droplets to join and either fall out as rain or improve visibility by decreasing density. Most tests have involved planes to disperse stationary fog. Tests on Cape will experiment with drifting fog and concentrate on ground units that hurl chemicals into the air.

Estimates are that dispersal by plane would cost \$100,000 a month. Long-range goal is ground operation. It would eliminate need for pilot rest stops, plane refueling, obstruction of normal landing and takeoffs. Ground units also can be positioned to attack drifting fog continuously.

*Today's
community
problems
are difficult...
But they are not
insurmountable*



Today's community problems are difficult. Some of them are terrible.

But, if a community has the will to do so, it can face up to its problems and resolve them. There's proof of this—and that's the hopeful note for America's future.

When your community resolves its problems, you benefit. Your community benefits. The whole country benefits.

Our suggestion to you, therefore, is that you, as a business leader, step into the action. Get involved.

STARTING POINT

A good starting point is for you to read the National Chamber's "KEY MAN REPORT," and to urge other leaders in your town to read it.

This document grew out of the Action Forums at the National Chamber's recent Annual Meeting, and was distributed to the delegates to the meeting.

It covers ten of the most critical problem areas of our day:

- Modernizing State and Local Government
- Job Training for the Hard-Core Unemployed ■ Housing
- Crime ■ Mobilizing Total Community Resources
- Pollution Abatement ■ Consumer Relations
- Export Expansion ■ Labor Law Reform ■ Education

BASED ON EXPERIENCE

"THE KEY MAN REPORT" is based on actual experience. It shows what local business leaders have done, and are doing—through voluntary united action—toward solving economic and social problems.

In each case, the report defines the problem. It sets forth the goals of the National Chamber Federation in each of the problem areas.

It describes briefly the many programs, projects and working tools which the National Chamber makes available to help you and your local chamber of commerce in community leadership and action.

"THE KEY MAN REPORT" is softbound, 110 pages, 11" x 8 1/4". The price is \$15 a copy. Money refunded if not satisfied.

Don't miss this opportunity to read and study this report, and to share it with others. With the factual and background information it gives you, you can put your community ahead.

CHAMBER OF COMMERCE OF THE UNITED STATES
Washington, D.C. 20006



Chamber of Commerce of the United States
Washington, D.C. 20006

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WHITE COLLAR PAY CONTINUES TO CLIMB

Exclusive job survey tells
salaries in 20 categories

Their cost of living has risen, but what you've paid your white-collar workers has gone up even faster.

They now make an average of \$95 a week, 4.4 per cent more than last year. Living costs, the Bureau of Labor Statistics reports, went up 3.1 per cent last year. This \$95 average includes 13 kinds of white-collar jobs from mail clerk to secretary.

Office workers in data processing made even fatter wage gains. Weekly pay for these more highly skilled employees now averages \$129, up from \$123 a year ago. This is a gain of 4.8 per cent.

Average is based on pay for seven data processing jobs ranging from key punch operator to intermediate systems analyst.

These statistics come from the latest annual survey of the Administrative Management Society. They are based on recent reports from more than 8,700 business firms in 139 U. S. and Canadian cities. These firms employ more than 600,000 white-collar workers. The results are reported exclusively at this time in *NATION'S BUSINESS*.

Many white-collar workers, of course, make much more than the average pay for their job. Pay also varies considerably from region to region and even city to city.

Average pay for an executive's secretary, the survey shows, ranges from \$6,032 yearly in the South and West Central states to \$6,656 in the West.

Junior key punch operators' pay averages \$4,212 in the West Central area, and \$5,044, nearly \$800 a year higher, on the West Coast. For intermediate systems analysts, the averages are \$9,256 in the West Central area and \$9,984 in the Far West.

Average pay for Canadian white-collar workers is \$78 weekly, or \$17 a week less than that of their U. S. counterparts. For data processing employees, the gap is wider—an average \$109 weekly wage in Canada, \$20 less than here.

Turn-over is up

Despite higher salaries, turn-over rates also are high. The AMS survey shows that the average office will lose nearly one out of every four white-collar workers in 12 months' time.

Two years ago, the last time AMS made a survey of this kind, the rate was one out of five.

The current average is 24 per cent for men and women. For male workers alone, the rate is 17 per cent, about half the rate (32 per cent) of women workers.

Men usually leave one job (49 per cent) to take another position; dismissal (16 per cent) is the second most frequent reason for leaving. Fewer women (31 per cent) are tempted to leave for work elsewhere, but this is still their chief reason for job separation; staying home (14 per cent) ranks second.

Despite a major drive by organized labor to sign up white-collar workers, this effort has met with little success. Only 7.8 per cent of the firms surveyed report all or part of their office force is unionized.

The AMS white-collar salary survey is the most exhaustive and authoritative of its kind.

However, the society cautions that judgment is required in interpreting and evaluating jobs and salaries reported in the survey and making comparisons with individual firms.

The job descriptions AMS uses, for example, are wide enough to take in a good sample of employees with like duties. They may or may not jibe exactly with the duties of employees in your office or organization.

Other factors that must be considered are company location, availability of applicants, working conditions and fringe benefits.

White-collar workers do not usually move from city to city for better pay. Employees normally compete for this kind of worker only with other firms in their immediate area.

The AMS 1968-69 Directory of Office Salaries (\$24.50) is available from the Administrative Management Society, Willow Grove, Pa.

On the facing page is a summary of regional average pay scales for the 13 clerical-secretarial and seven data processing positions covered in the AMS 1968-69 survey and job descriptions.

**INTERNATIONAL
AND REGIONAL
AVERAGES
1968**

	MAIL CLERK- FILE CLERK	GENERAL CLERK-B	GENERAL CLERK-A	ACCOUNTING CLERK-B	ACCOUNTING CLERK-A	BOOKKEEPING MACHINE OP.	OFFSET DUPLI. MACHINE OP.	TELEPHONE SWITCHBOARD OP.	TYPIST-CLERK	STENOGRAPHER-B	STENOGRAPHER-A	SECRETARY-B	SECRETARY-A	KEY PUNCH OPERATOR-B	KEY PUNCH OPERATOR-A	TAB. MACHINE OP. (INTERMEDIATE)	COMPUTER OP. (INTERMEDIATE)	PROGRAMMER-B	PROGRAMMER-A	SYSTEMS ANALYST (INTERMEDIATE)
TOTAL U.S.	74	83	101	94	117	86	96	88	82	88	100	105	122	85	95	106	117	143	174	183
EASTERN U.S.	75	82	101	91	115	85	95	88	80	84	97	105	123	83	94	102	116	141	172	182
E. CENTRAL U.S.	74	83	100	95	116	91	98	90	83	91	103	108	124	84	98	110	120	144	176	184
W. CENTRAL U.S.	72	79	96	89	112	83	93	85	80	83	96	99	116	81	90	104	114	145	171	178
SOUTHERN U.S.	72	81	97	93	116	82	92	84	78	85	99	101	116	82	93	103	112	141	171	184
WESTERN U.S.	80	93	106	101	125	94	105	96	89	98	109	115	128	97	106	114	124	148	179	192
CANADA	58	66	94	76	105	68	76	69	64	69	81	88	102	67	78	86	100	121	150	161

JOB TITLES AND DESCRIPTIONS

MAIL CLERK-FILE CLERK

Circulates office mail, delivers messages and supplies. May process incoming or outgoing mail and operate related machines and perform other routine duties. Keeps correspondence, cards, invoices, receipts or other classified or indexed records filed systematically according to an established system. Locates and removes material upon request and keeps records of its disposition. May perform other clerical duties which are related.

GENERAL CLERK B (Junior)

Performs clerical duties in accordance with established procedures requiring judgment in the selection and interpretation of data. Job requires a moderate amount of prior experience and considerable supervision.

GENERAL CLERK A (Senior)

Performs complex and responsible clerical duties requiring independent analysis, exercise of judgment and a detailed knowledge of department or company policies and procedures related to work performed. Minimum supervision required.

ACCOUNTING CLERK B (Junior)

Checks, verifies and posts journal vouchers, accounts payable vouchers or other simple accounting data of a recurring or standard nature, reconciles bank accounts, etc.

ACCOUNTING CLERK A (Senior)

Keeps a complete set of accounting records in a small office with or without the use of an accounting machine, or handles one phase of accounting in a larger unit which requires the accounting training needed to determine proper accounting entries, prepare accounting reports, analyze accounting records to determine causes of results shown, etc. May direct work of junior clerks or bookkeepers. (However, excludes supervisors and persons at policy-making levels.)

BOOKKEEPING MACHINE OPERATOR

Operates a bookkeeping machine to record business transactions of a recurring and standardized nature, where proper posting has been indicated or is readily identifiable. May balance to control figures.

OFFSET DUPLICATING MACHINE OPERATOR

Sets up and operates offset-type duplicating machines. Cleans and adjusts equipment but does not make repairs. May prepare own plates and operate auxiliary equipment, and may keep records of kind and amount of work done.

TELEPHONE SWITCHBOARD OPERATOR

Operates a single or multiple position PBX telephone switchboard. May keep records of calls and toll charges, and may operate a paging system and perform duties of receptionist.

TYPIST-CLERK

Types letters, reports, tabulations, and other material in which setups and terms are generally clear and follow a standard pattern. Performs clerical duties of moderate difficulty. May prepare stencils or offset masters.

STENOGRAPHER B (Junior)

Transcribes from dictating equipment, or records and transcribes shorthand dictation involving a normal range of business vocabulary. May perform copy typing or clerical work of moderate difficulty incidental to primary stenographic duties. May operate as a member of a centralized stenographic service.

STENOGRAPHER A (Senior)

Performs advanced stenographic duties which require experience and exercise of judgment. Transcribes from dictating equipment, or records and transcribes dictation of more than average difficulty which regularly includes technical or specialized vocabulary or frequently supplements transcription with the drafting of finished work from indicated sources, records, general instructions, etc.

SECRETARY B (Junior)

Performs secretarial duties for a number of middle management. General requirements are the same as for Secretary A (listed next), but limited to the area of responsibility of the principal.

SECRETARY A (Senior)

Performs the complete secretarial job for a high-level executive or a person responsible for a major functional or geographic operation. Does work of a confidential nature and relieves principal of designated administrative details. Requires initiative, judgment, knowledge of company practices, policy and organization.

KEY PUNCH OPERATOR B (Junior)

Operates an alphabetical or numerical key punch machine to record precoded or readily usable data following generally standardized procedures. May verify the work of others, using a verifying machine.

KEY PUNCH OPERATOR A (Senior)

Operates an alphabetical or numerical key punch machine or verifier to record or verify complex or uncoded data working from source material which may not be arranged for key punching. Selects appropriate number and kinds of cards. Follows a pattern of operations generally standardized but frequently including rules, exceptions and special instructions which demand operator's close attention. Frequently required to decipher illegible source documents and be able to assist in preparing new ones.

TABULATING MACHINE OPERATOR-INTERMEDIATE

Sets up, operates and wires a variety of punched card equipment, including tabulators and multipliers. Wires boards from diagrams prepared by others for routine jobs, uses prewired boards on complex or repetitive jobs. May locate and correct job difficulties and assist in training less experienced operators. This work is performed under specific instructions and may include some wiring from diagrams. The work may involve tabulation of a repetitive accounting exercise, a small tabulating study, or parts of a longer and more complex report.

COMPUTER OPERATOR-INTERMEDIATE

Operates computers utilizing established programs or programs under development. Selects proper tape, loads computer and manipulates control switches on console in accordance with established instructions. Observes lights on console, storage devices, etc., reporting any deviations from standards. Detects nature of errors or equipment failure and makes normal console adjustments. Maintains operating records such as machine performance and production reports.

PROGRAMMER B (Junior)

Assists in the review of analysis of the preparation of the program instructions under direct supervision. Fairly competent to work on several phases of programming with only general direction but still requires some instruction for other phases. May prepare on his own the block diagrams and machine logic flow charts. Codes program instructions and prepares test data, testing and debugging programs. May also assist in the documentation of all procedures used through the system. Experience of training required for entry to this position classification.

PROGRAMMER A (Senior)

With general supervision, analyzes and defines programs for electronic data processing equipment. Is generally competent in most phases of programming to work on his own, and only requires general guidance for the balance of the activities. Conducts analyses of sufficient detail of all defined system specifications and develops all levels of block diagrams and machine logic flow charts, codes, prepares test data, tests and debugs programs. Revises and refines programs as required and documents all procedures used throughout the computer program when it is formally established. Evaluates and modifies existing programs to take into account changes in systems requirements. May give technical assistance to lower level classifications. Normally progresses from this classification to Lead Programmer.

SYSTEMS ANALYST-INTERMEDIATE

Under close supervision, assists in devising computer system specifications and record layouts. Is qualified to work on several phases of systems analysis, but requires guidance and direction for other phases. Conducts studies and analyses of existing office procedures and prepares systems flow charts for existing and proposed operations. Under instruction prepares computer block diagram and may assist in the preparation of machine logic flow charting.



AFTER VIET NAM...



You the taxpayer will be expected to shell out more for federal programs to aid education and combat poverty.

A new battle will be waged to determine how revenue and resources will be used

Battle lines are forming for the war that's sure to explode when the shooting stops in Viet Nam. You can call it the War of the American Economy.

A struggle between basic ideas, this new war will be fought mostly with words. The strategy will be largely legislative. But it will be as decisive to the nation's future as any war Americans have fought.

Basically it will be an intensification of the protracted clash between government spenders and economizers. Crusaders for programs to raise and dissipate public funds already are knitting propaganda schemes to unfurl before the public and Congress once direct Viet Nam spending shrinks.

The Administration has its own staff of post-Viet Nam planners. It's a committee of the Council of Economic Advisers, broken into nine subcommittees. Many states and local governments also are looking to the postwar period.

Forward-looking businessmen, too, have been studying what could happen at home when peace comes.

to Viet Nam. A group formed by the Chamber of Commerce of the United States, for example, has worked for more than a year on the problem of how to assure that future economic decisions rest on sound economic principles.

The Viet Nam war has set up the coming showdown for the U. S. economy. Among the many escalations of Viet Nam has been the percentage of government spending in America's economy. Government at all levels now spends about 30 per cent of the nation's output, compared to eight per cent just before World War I.

This year the government is expected to disburse \$30 billion on Viet Nam. Total Defense Department spending this year will probably hit \$77 billion. Military spending in fiscal 1969 will reach an estimated \$81 billion.

People with pet programs which they want taxpayers to finance expect that the end of the Viet Nam war will toss between \$15 billion and \$20 billion yearly up for grabs. They claim that about \$5.5 bil-

lion no longer will be needed for ammunition in Viet Nam; at least \$4 billion won't be used to replace and repair aircraft; and another \$5.5 billion yearly would be saved when 500,000 troops are recalled to the states.

Sober economists, however, say that spending these "savings" on additional government programs might bankrupt the economy. They cite the gross economic problems already caused by decades of deficit spending.

Sherman J. Maisel, a member of the Federal Reserve Board, recently made glowing predictions for the postwar economy. But he noted that all of them might be insignificant if "our current problems" are not solved. He described these problems as "too large a budget deficit, too rapid rises in prices, too much federal demand for financing."

The gross national product is increasing more than seven and one half per cent a year and is expected to reach \$845 billion this year. Real output of goods and services is far out-stripping the growth of potential

AFTER VIET NAM . . .

continued

output. Costs of almost everything, especially labor, jump so fast that an estimated \$2.6 billion of the yearly Viet Nam "savings" will be wiped out by the rising costs of other military needs.

The shrinking buying power of the dollar has drained American gold reserves and tilted our balance of payments. This, in itself, may demand that we maintain relatively slow economic growth for one or two years after the Viet Nam struggle ends, states Dr. Raymond J. Saulnier, former chairman of the Council of Economic Advisers.

The crux of the looming economic debate will be whether the government can continue to permit deficit spending and inflation.

Fight and pay, too

The generation now fighting in Viet Nam also will be paying the debts of that war—for as long as that generation lives. That is one of the many injustices of deficit spending, its critics say.

After Viet Nam some will call for a law requiring the federal government to spend no more than it takes in. It's the best way, they say, to discipline bureaucrats into setting priorities on their expenditures.

The National Chamber's Ad Hoc Committee on the Economic Impact of Peace After Vietnam anticipates the onslaught of post-Viet Nam demands for more spending along with more taxing, especially of businesses. The committee consists of businessmen and scholars. It said in part:

- "An across-the-board reduction in income tax rates combined with an easing of monetary policy, initiated at the start of de-escalation, are the preferred tools to offset deflationary effects of reduced defense spending in a stable economy.
- "Government tax policy should be aimed at improving investment incentives through such measures as lowering the corporate income tax rate and providing more liberal depreciation allowances.
- "In view of the high and rising incomes of a majority of the population and the likelihood of increasing savings, emphasis in government policies should be placed on investment incentives to achieve a moderate increase in economic growth rather than on greater immediate consumption. For greater effectiveness, programs to alleviate poverty should concentrate on human in-



An end to the war will encourage space planners to fight harder for money for Apollo moon mission.

vestment outlays that raise the productivity and the sense of dignity of the poor."

Politicians pale at the thought of recessions and other economic dislocations. But most economists view cyclical activity as natural adjustments in a free economy. Some government attempts to prevent such adjustments, they say, make the adjustments more severe when they do come—as ultimately they must.

Result of federal meddling

Government meddling with economic cycles, coupled with deficit spending, already has wrenched the nation into an awkward economic posture. It resembles the early stage of England's economic collapse.

Pro-union laws and policies and government spending on nonproductive activities have helped create a tight labor market and high wage settlements. (See "Roots of Union Power," August, September and October, 1967.)

A by-product has been puffed-up demand for goods and services and higher costs and prices. For nearly three years demand has been growing faster than America's potential output. Prices are rising now at a rate of four per cent a year.

High costs have kicked prices so high that many American goods can't compete abroad. Restrictions on American overseas investments

have compounded the problem. Increasing amounts of foreign goods, made at lower cost, flood into the United States, while American exports diminish.

In a recent seminar entitled "When Peace Comes," John R. Petty, Assistant Secretary of the Treasury, said one of the chief long-range aims in our balance of payments policy after the war should be "a period of sustainable equilibrium" without any of the overseas business investment restrictions which President Johnson laid out last Jan. 1.

Government economists have long been concerned with increasing employment and real income. Gains in this direction, asserts James S. Duesenberry, a member of the Council of Economic Advisers, "have been accompanied by rising prices, a deteriorating balance of payments position and rising interest rates. Those developments threaten our ability to maintain a steadily expanding economy with a high level of employment."

Government spending policies during the Viet Nam war have caused another, less tangible drain on the American economy. This is the flow of American technical skills away from the manufacturing of industrial equipment and consumer goods.

Max Palevsky, president of Scientific Data Systems of Santa Monica, Calif., says the war has locked too many American technicians in government science and technical programs. Other nations, he says, are grabbing the lead in developing new and better products for consumers around the globe, including American consumers.

"At least two thirds of the country's technical business is in aerospace and military," complains Lee B. Thomas Jr., president of Vermont American Corp., a Louisville, Ky., tool manufacturer. "We recently had to buy a whole forging plant from Germany because there was no such technology in America. This country has the oldest bunch of machine tools of any country in the world.

"Our costs have inflated so much that we no longer are competitive in Europe. If this continues, Europeans will be over here taking our business away from us."

Russell DeYoung, chairman and chief executive officer of the Good-year Tire & Rubber Co., sums up the view of most businessmen regarding an end to the war:

"Peace in Viet Nam would benefit this nation both economically

and psychologically. It would release manpower and industrial capacity for productive civilian, rather than destructive military purposes. It would alleviate to some degree the inflationary pressures that now are cause for widespread concern."

What spenders plan

Meanwhile the public spenders absorb themselves in their own schemes. They plan to build up an atmosphere of crisis, after Viet Nam, for such projects as a negative income tax without welfare cuts; rebuilding America's cities; a resumption of the race to the moon; greater government control over on-the-job safety; expanded aid to veterans; federal subsidies for shipbuilding; more government intervention in health, education and housing; more national programs to combat poverty, bigotry and a host of other social ills.

While government has been constantly swelling its share of the nation's total economic activity, critics complain it has been feeding the poor with false hopes of a millennium just around the corner.

"Such is the uneven pace at which society moves that programs designed to help the poor frequently wind up frustrating them in the process," observes Harold Howe, U. S. Commissioner of Education. "Aroused expectations left unsatisfied rapidly ferment into bitter and corrosive resentment. That resentment is a clear and present danger."

Once Viet Nam firing ceases, troops start flying home and munitions factories slow production, spenders are sure to exhume their old bogeyman, "unemployment," to justify drastic governmental programs. They'll insist that providing full employment is a not-to-be-questioned duty of government.

Bigger federal involvement in housing is the target of some strategists.

The Labor Department estimates that 2.5 per cent of those in public and private employment today are directly engaged in work—including the actual fighting—created by the Viet Nam war.

When the war ends, few of them should have trouble getting new work, economists who have studied the matter agree.

Job opportunities will continue to abound for those willing and able to work, barring further government restrictions on businesses' ability to expand.

Most returning Viet Nam veterans will go to college under GI Bill provisions, return to former civilian jobs or get better jobs with skills they've learned in the service.

Many GI's on the verge of discharge will attend special civilian job training programs such as that provided in "Operation Transition" at Ft. Knox, Ky.

Employers are finding that veterans have better work attitudes than youths coming directly out of school. Some employers complain that the increasing influence of the federal government and labor unions in public education is breeding a growing number of malcontents unable to hold a steady job.

A major post-Viet Nam outcry will be for more government programs to put these malcontents and members of the "hard-core unemployed" to work. That abstraction "unemployment" will increasingly bear the blame for riots, vandalism, rapine and other forms of crime.

After much expensive experimentation with government hard-core training programs, even most government officials now concede that the training can best be done by private enterprise. But they still want to control the activity.

Government anti-poverty warriors will devise sweeping new pro-

grams for convincing, cajoling and forcing employers to hire and train the hard core in government fashion.

They'll threaten to impose quotas of "unemployables" on businessmen and to forbid installation of modern machinery on the Luddite theory that automation limits jobs. Should they decide unemployment is still a "problem," they'll ask that the government be made the "employer of last resort."

Business committee recommends

The National Chamber's Ad Hoc Committee on the Economic Impact of Peace After Vietnam recommends that business, through its trade associations and in cooperation with educators and professional groups, design "more realistic" hiring standards adapted to provide more job opportunities for "hard-core unemployables."

Businessmen maintain that the government would go far in solving the hard-core unemployment problem if it scrubbed some of its own restrictions on opportunities for the poor. Cited among these restrictions are the federal minimum wage law, which knocks people with marginal skills out of work, and many privileges granted by government to labor unions through which unions have grown powerful enough to discriminate against Negroes openly and with impunity.

Post-Viet Nam spenders will not limit their attention to domestic programs. They will renew pleas for more foreign aid, too.

They will want to shell out large sums to rebuild ravished areas of Viet Nam. Just as during the Viet Nam war, there can be little expectation of much help from other countries, either.

Others will plead for renewed American aid to other lands, too, especially those nations so steeped in welfare programs that they can't feed their own peoples.

There will also be renewed pleas for greater American contributions to such agencies as the United Nations, the World Bank, the Asian Development Bank and the Inter-American Development Bank.

The federal government in recent years has been spending \$7 billion annually for net lending and grants overseas.

Assistant Treasury Secretary Petty warns that we must establish ahead of time "the financial viability" of post-Viet Nam political, military and economic commitments abroad.

He adds: "Had the terms of our



PHOTO BY BEAVIS BRACK—BLACK STAR



Rebuilding delapidated downtowns, a job private business has been tackling for years, will get greater funding when war eases.

AFTER VIET NAM *continued*

aid-giving for the last 20 years been different, that is, had the aid given Western Europe for purposes of reconstruction after World War II been only in the form of loans, it is quite likely that the gold stock of the United States today would be substantially larger than it is."

Despite a plethora of plans for spending public funds after Viet Nam, there remains a stark possibility that the eagerly-awaited huge defense cutbacks may not come at all.

A Korean-type "settlement" in Viet Nam may leave America no more secure around the world than it was before the 1965 buildup. Defense expenditures may even increase.

Defense-related research and development would certainly continue, as would many of the Defense Department's largest procurement contracts for such things as communications, aerospace and ships. Depletions in military stockpiles must be restored.

Many projects the Defense Department once called "vital priorities for the defense of our vital interests," but postponed to pay for the Viet Nam war, will be resumed. These include military space and missile programs.

Some firms will feel defense spending shifts, however. Among these will be makers of ammunition and military uniforms. The shifts will hit hardest in California, Con-

necticut, Illinois, Maryland, Missouri, New Jersey, North Carolina, Pennsylvania, South Carolina, Texas and Virginia. But, by planning ahead, most of these states should be able to roll with the punch.

Dr. Murray L. Weidenbaum, chairman of the Department of Economics at Washington University in St. Louis, recently completed a study of military market concentrations. He reported that the great majority of the top 100 Defense Department contractors with assets of \$1 billion or more obtained most of their sales from civilian markets.

Prepared for peace

Most persons in war-dependent work already have prepared for the day when war orders halt. An economy not hobbled by government controls can easily retool and assimilate changing demands.

The impact of war spending cuts "would be widely diffused through the economy," contends Dr. Saulnier, the former CEA chairman.

Dr. Saulnier, like many other economists, thinks economic adjustments after Viet Nam will not be as severe as those after the 1953 Korean truce. After Korea the economy had to writhe loose from government price controls. Also, military spending in Viet Nam, as a percentage of the gross national product, is only 69 per cent of its Korean peak.

In the two years following the

shaky Korean truce, military spending dropped \$10 billion or 2.7 per cent of the 1953 GNP. Even if Viet Nam cuts reached \$20 billion, they would represent only 2.4 per cent of the 1968 GNP.

Furthermore, it is doubtful that the United States would demobilize as rapidly as it did after the Korean War. Experience has shown the folly of dropping our guard while there's still tension in the world.

And tension certainly will remain after Viet Nam. There will be the uneasy divisions between North and South Korea, East and West Germany, Red China and Free China, the Israeli and Arab lands, as well as whatever arrangement will be made between North and South Viet Nam. Not to mention communist footholds in Latin America, Russian naval strength in the Mediterranean and communist stirrings in Africa.

"We're going to continue having more of these communist-backed incidents around the world," predicts Rep. Robert L. Leggett (D-Calif.), a prominent member of the Armed Services Committee.

Alan Greenspan, vice president of the National Association of Business Economists, told NATION'S BUSINESS he thinks demobilization after Viet Nam will be stretched out in stages over many months. Its economic impact, therefore, will be greatly softened.

Mr. Greenspan, who is also president of Townsend-Greenspan & Co., economic consultants, further predicts that much of the military spending now attributed strictly to Viet Nam will continue because the war has changed the type of military equipment the United States needs.

An unusually strong peacetime military also may be needed at home to face continued threats of nationwide violence.

Governor Maisel, of the Fed, believes that once the Viet Nam war's impact on the economy has faded, private investments should rise at a high rate.

"The demands for money and credit should also be great," he adds. "The funds required, however, appear attainable at lower interest rates than now exist assuming that fiscal policy results in limiting federal demands on the private market."

The war of the American economy might well be decided even before the war in Viet Nam ends. The national elections next November will put in office the men who will ultimately decide whether the economy is to be further chained or freed.

END



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APPEALING TO A MASS MARKET

A conversation with Ray Kroc, president, McDonald's Corporation, a multimillionaire whose carry-out chain has sold enough hamburgers to reach up to the moon

Americans eat billions of hamburgers—a national delicacy.

But none can boast the unique relationship with this tasty dish that Ray A. Kroc enjoys.

He is the only man who made \$100 million out of the ubiquitous beef patty.

He also lavishes on it as much research, romance and tender care as Escoffier expended on an entire menu. It's the foundation on which he has built a far-flung, international restaurant chain—McDonald's Corp.

It was founded in 1955. That year, it grossed \$235,000. Last year, it grossed \$266 million.

Today there are more than 1,000 McDonald's carry-out restaurants, about 15 per cent of them owned by McDonald's Corp., the others owned and run by its franchisees.

Mr. Kroc, founder of the McDonald's chain, was 52 years old

when he hit on his formula for success. At that time, he was head of a small Chicago firm that distributed a multimixer for malted milks. Thanks to experience and research, he saw a golden opportunity others didn't. In the spirit of the true entrepreneur, he acted on it.

Now he is a multimillionaire, and has made millionaires out of more than a dozen others.

Interviewed by a NATION's BUSINESS editor, at his corporate headquarters in Chicago, he tells how he built the McDonald's empire and what he learned while doing it.

Mr. Kroc, when did you open your first hamburger restaurant?

In 1955, in Des Plaines, Ill.

How come the chain isn't called Kroc's, instead of McDonald's?

Because the formula didn't origi-

nate with me. I borrowed it from two McDonald brothers, Mac and Dick. They had opened a barbecue parlor in San Bernardino, Calif. They had pork, beef, ham and chicken on the menu. But they said Mrs. Jones, who was a real good customer, would say:

"Mac, that pork is awfully greasy today."

Or, "The barbecue beef is stringy," or "It's tough."

Mac and Dick said to each other: "Some day we are going to find a food item that is the same every day of the year—never tough, never too tender, never dry, never greasy, never stringy—always just the same. An item we can sell for 15 cents, and make a profit."

Finally, they hit on it—the hamburger.

How did you run into the McDonalds?

At the time, I was selling a mul-

multiple malted-milk mixer. I had exclusive distribution of it. It was a revolutionary mixer, invented by a friend of mine, Earl Prince.

It mixed five malts at a time—and it never broke down.

The McDonalds had eight of my multimixers in one store. I didn't have another customer with that many.

I said, "This I have to see."

So I went to San Bernardino. It was terrific. They had people standing in line clamoring for more.

"You are doing marvelously," I said. Why don't you put these stores up all over?"

I figured that if every McDonald's hamburger place had eight multimixers, I would get rich.

But they said, "No, we don't want to branch out. We're happy and satisfied." They were doing fine and didn't want any new headaches.

What did you do then?

I thought, "Well, jeepers, maybe the way for me to sell multimixers is to open up these sure-fire hamburger units all over the country myself. So I signed a 99-year contract with the McDonald brothers to represent them exclusively.

I agreed to pay them one half of one per cent of all gross receipts from the units.

Remember, I wasn't trying to sell hamburgers. I was trying to sell multimixers.

Later, the hamburger business mushroomed, and I realized where the big money was.

Where was your first unit?

In Des Plaines, Ill., a suburb of Chicago. It was opened April 15, 1955.

I opened the second place in Fresno, Calif., in August or September, 1955, the third place, in Reseda, Calif., in November or December.

How did you do the first year?

The total dollar volume in 1955 was \$235,000. But, I had my problems.

What kind of problems?

I had a contract with the McDonald brothers that said that I could not change one thing they did.

The intent was that the new McDonald's units wouldn't change the original menu, the prices, the quantity or the quality of the food served. That was fine; I had no intention of changing the product.

But the contract covered a lot

more than that. For example, it included every detail of construction.

I could ask for any exceptions I wanted. But under the contract, I had to get the McDonalds' written okay by registered letter.

This all sounds fine when you're sitting in a lawyer's office. But then I'd call them up and say, "Help, fellows. Know what I have to put in? A basement in the first building."

They said, "So what, put it in."

I said, "I can't according to the contract. Write me a registered letter giving me your acceptance."

And Mac McDonald would say, "We don't have a secretary and we're not going to hire one. And we're not going to run down to the post office and wait until a letter is registered.

"Don't pay any attention to those lawyers; put in a basement."

My own lawyer quit me because he couldn't protect me. I was in default constantly, not only with the first building, but with every building thereafter.

How did you solve that one?

One day in 1960, on an impulse, I picked up the telephone and called Dick McDonald. I said, "Dick, I have an idea. Sell me back the contract."

He said, "Oh, yes? For how much?"

I said, "How about half a million dollars?"

It seemed like all the money in the world—a half a million dollars. And whatever he asked, I knew I would have to go and borrow it somewhere.

They deliberated for some time, then they called back, and said: "We have a price. Take it or leave it—\$2.7 million."

I said, "Well, thanks for the compliment. I will see you later."

Finally I got hold of a company in New York that invests endowment funds for a great many universities. They paid the McDonald brothers \$2.7 million.

With this I took over the ownership, the name McDonald's, all trademarks, copyrights, formulas and everything else, about January, 1961.

Now we are paying off this loan at the same rate that we did to the McDonalds, one half of one per cent of our gross.

Was your first store in Des Plaines franchised?

No, I opened the first restaurant myself.

What was your first franchised restaurant?

In Fresno, Calif.

Does the man who franchised it still run it?

Yes, his name is Art Bender.

And the man who was my first manager in Des Plaines, Ill., is Ed MacLucky.

They are both millionaires today.

Ed MacLucky has four stores in Lansing, Mich., and Art Bender has four stores in Fresno, Calif.

How many men became millionaires through McDonald's franchises?

I would say, conservatively, 15. Maybe more.

Do you have the formula down pat now, for the building, the products, the location?

Yes, we have the right formula, but we don't feel that we have reached perfection. You know, as long as you are green, you are growing. And as soon as you are ripe, you start to rot.

Things change and so do we. For instance, we have some McDonald's restaurants that have seating inside.

We keep refining and adjusting as the automobile people do.

Back in the early days of the hamburger business, the days of the roadside stand, it would be inconceivable that you needed a research laboratory, with an engineer in charge of it, and a research kitchen under a food technologist. All you needed was a frying pan and some heat underneath it, and some meat in the icebox.

What else is there to the hamburger business? But we have a research lab and a research kitchen.

How about your early life?

I was born in Chicago, Oct. 5, 1902. I went to school in Oak Park. I left high school as a sophomore and enlisted as an ambulance driver in World War I. I was in the same company with Walt Disney.

He was 16 and I was 15. We labeled him as the guy most unlikely because he was sitting there with his pencils, drawing, and we were all looking for girls.

When the war was over, I came home and went back to high school. But I wanted to get out and do something, so I left school.

I had taken classical piano from

the time I was six. My mother had been a piano teacher. So I started playing with orchestras and bands. Small bands, then bigger bands and finally the best, like Isham Jones and Harry Sosnik, leader of the Hit Parade band.

When I was 18 or 19, I was making as high as \$150 a week.

But when I was 20, I got married. About that time I decided that, although music was great and I loved it, I didn't want any part of the kind of life musicians lived, working nights and sleeping days. This was no good.

So, I went to work for Lily-Tulip Cup Co.

But after my daughter was born I needed more income.

I took a job as a musical director for a pioneer radio station in Chicago, WGES. It was owned by Telfer MacArthur, brother of the famous playwright, Charles MacArthur, husband of Helen Hayes.

This was the day of earphones in radio, real pioneer days.

I played the piano, arranged the musical program accompanied the singers and things like that.

There were a couple of fellows in Chicago in those days, a song and patter team, called Sam and Henry.

One of them played the piano, the other sang. Then they made a few little quips and they both sang.

I hired and paid them \$5 apiece. But they were awful. They couldn't sing or play the piano, and they couldn't patter.

Know who they became? Amos and Andy.

How long did you stay in radio?

For about a year and a half; then I went down to Florida to sell real estate. The Florida boom was on and I was doing beautifully.

My company was a real big one. It had 22 Hudson sedans, limousines with a chauffeur in each one.

The height of a salesman's success was to have one of them assigned to him to take out prospects.

The property we were selling was in Ft. Lauderdale. It was nothing but swamp.

My commissions were piling up—but I didn't get any money.

Apparently, the deals weren't being closed.

Buyers made a deposit after our spielers got them worked up on the future of Florida and the opportunity for investment.

But when they got back home, their enthusiasm cooled. Then the

bubble burst, and not a single one of my sales went beyond the deposit.

What did you do then?

I sent my wife and daughter home on the train and I drove back to Chicago in a Model T Ford. I left in late September, 1926. I will never forget that drive as long as I live. I was stone broke. I didn't have an overcoat, a topcoat or a pair of gloves.

I drove into Chicago on icy streets. When I got home, I was frozen stiff, disillusioned and broke.

Did you stick with real estate?

No, I began selling again for Lily-Tulip and became Midwestern sales manager. Then I discovered the multimixer in 1937 and went into business for myself. I was in the business until I sold it to raise money for my hamburger venture.

I think it's important that almost everything I had done, from the time I started with Lily-Tulip, was in the food and beverage field.

I decided that some day I wanted to be in the food or restaurant business myself. And if I did, I wanted to have a product I could be sure would please the customer day in and day out. That turned out to be the hamburger.

How do you pick your franchisees?

We prefer someone with a business background—and ambition. We are also interested in his character, his attitude toward family life, his level-headedness and whether he can stand prosperity.

Some people reach their level of expectations pretty quickly.

We want someone who will get totally involved in the business. If his ambition is to reach the point where he can play golf four days a week, or play gin rummy for a cent a point, instead of a tenth, we don't want him in a McDonald's restaurant.

Is previous business experience a must?

No, we put our franchisees through a training school. Then we open the store for them, help them get it going and do everything under the sun to help them boost their sales. We have fun in this business. Our operators eat and sleep it.

We insist on all of our people, whether they be franchisees or company personnel, being dedicated to

what we call "QSC"—that is, quality, service and cleanliness. The best advertising and public relations are meaningless without these three fundamentals. We at McDonald's believe in these fundamentals and really live by them.

Sure, there is competition, but if we stick to these basics and do everything else right, the way we have been doing for the past 13 years, we know we will stay on top.

Do you have any trouble getting applicants?

No, we have a permanent waiting list of about 100 applicants. We keep it at that level. They come from all walks of life—former dentists, retired Navy officers, and a former Assistant Secretary of Labor, John Gibson.

What was your early goal in life?

When I was a kid, I saw my dad struggling to make ends meet on a meager salary and I thought, "If I could get a job that would guarantee me \$10,000 a year, I'd sign a life contract." Of course, things change, and so do our goals.

Is there a danger that you will run out of places to build restaurants or people to eat McDonald's hamburgers?

I don't think so.

We have more than 1,000 units now, and are growing fast. In 1967, these units grossed over \$266 million. In 1960, we grossed \$6 million.

We have sold more than four billion hamburgers. My publicity men tell me it would take one man 40,000 years to eat them all—if he ate one every five minutes.

It took 400,000 head of cattle to produce the top quality beef for those hamburgers.

Most of them were served with catsup, mustard, pickles and onion. The catsup and mustard alone would fill the Mississippi River.

As we build up consumer acceptance, we have a broader and broader market.

What's your goal now?

We're shooting for 2,000 units. About 15 per cent of them are owned by the McDonald's Corp., the rest by franchisees. The average unit grosses about \$297,000 a year.

What's the secret of McDonald's success?

Several things. For one, it's largely a franchise operation. That

YOU MAY HAVE A SEVERE SWELLING OF THE PAYROLL.



A very painful condition, this.

As you add new people to your staff, fringe benefits go up. While profits go down.

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APPEALING TO A MASS MARKET *continued*

permits you to grow fast, because much of the capital for expansion is put up by the franchisee.

Then we have worked the business out to a science.

It takes an average of 50 seconds to serve a hamburger, a milk shake and an order of French fries in a McDonald's restaurant.

We've worked out the precise formula for making a hamburger to the public's liking, down to the exact size of the bun, three and three-quarter inches, and how much onions go on it—one-fourth of an ounce.

And then we supervise all units carefully to insure quality.

For example, French fries are thrown away if they are seven minutes old. That's long enough for them to get stale.

Hamburgers are discarded for the same reason.

Whom do you cater to?

We aim at the local family trade.

When we look for a site, we count church steeples, rather than autos, signs of substantial family neighborhoods. That's where we get 90 per cent of our business.

We try to build up that image, too. That's why we never allow a jukebox, a cigaret machine, a vending device, a pinball game or a telephone in a McDonald's restaurant.

What did your friends think when you gave up a successful multimixer business to take a flyer in restaurants?

At the country club I belonged to for a good many years, in a suburb of Chicago, they said: "Do you think Ray is going through a change of life? Or has he lost his mind?"

"I hear he is going to open up a 15-cent hamburger stand! Can't imagine it."

"He always seemed a pretty high-class fellow."

What made you so sure this venture would succeed?

Well, I suppose we are all gamblers, to a certain extent.

If I am convinced of something beyond a question of doubt, and I have complete convictions in my own mind, then I am going to go ahead. And I had that feeling about the McDonald's hamburger restaurant formula.

Remember, I saw the operation in San Bernardino and I researched it.

Didn't you have any doubts at all?

Yes, I wasn't too sure whether we could stay open in winter.

I remember a telephone call from a fellow in Minneapolis. He owned a drive-in theater and he was interested in a McDonald's franchise.

He said, "Of course, you would open about April 1 and close about the end of November."

I said, "No, no. This is based on a year-round operation."

"You must be nuts," he replied.

I wasn't too sure I wasn't. So this was the only question I had—what about the bad weather? But I went ahead.

When did you discover your misgivings were groundless?

After the first winter in Des Plaines.

What I didn't realize was that there are nice winter days, when the wind isn't howling and the streets are dry. And there are always people out at noon, like salesmen, who are in a hurry, and they want a hamburger and a cup of coffee and some French fries. They can take the food into their car and the car is warm.

And people in the neighborhood send over for hamburgers and French fries and shakes. One person might bring back \$4 or \$5 worth.

After the first winter I had no doubts.

Despite the misgivings of the country club set, I gather you have done all right selling hamburgers?

Yes, I own about two million shares of McDonald's Corp. stock. It's selling for about \$50 a share.

You have done more for the American hamburger than the Cordon Bleu may have done for gastronomy. Have you ever had a cooking lesson yourself?

No, but I can cook. Although my wife says that I am the greatest guy to walk around the kitchen and issue orders and do less work than anybody she ever saw. **END**

REPRINTS of "Lessons of Leadership: Part XXXVIII—Appealing to a Mass Market" may be obtained from *Nation's Business*, 1615 H St. N. W., Washington, D. C. 20006. Price: 1 to 49 copies, 30 cents each; 50 to 99, 25 cents each; 100 to 999, 15 cents each; 1,000 or more, 12 cents each. Please enclose remittance with order.

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One gift works many wonders



Photo contributed by Harold Halma

GIVE THE UNITED WAY

Help work wonders for the poor, the sick, the aged, the young. Give them the hope, the health and the happiness they might never have without you.

Your fair share gift works many wonders ✓ THE UNITED WAY



27.5 million families benefit from child care, family service, youth guidance, health programs, disaster relief and services for the Armed Forces through 31,300 United Way agencies.

W. CLEMENT STONE, president of Combined Insurance Co. of America, who wrote this article, began his business career at 16 and became a multimillionaire. He is active in civic and charitable work, president of the Boys Clubs of Chicago and author of "The Success System That Never Fails" and coauthor with Napoleon Hill of "Success Through a Positive Mental Attitude."

Any man can be a success. He can become as rich as he wants, no matter how poor his start in life.

I speak from experience.

I began my business career as a 16-year-old insurance salesman, calling door to door at the Dime Bank Building in Detroit.

In four year's time, I had my own agency, started with \$100.

Now, I have my own insurance company with assets of more than \$150 million.

To be a success, a man must program himself for it—just as a computer is programmed.

In fact, a computer is just a poor imitation of that wonderful creature, man—a creature with an in-

comparable brain and a mind of indescribable powers.

There are three essential ingredients you must program into yourself for continued success.

The most important is inspiration to action.

Inspiration to action means self-motivation, an inner urge that determines choice and incites us to action.

The other essential elements are: Knowledge and know-how.

But the most important is inspiration to action.

How do you motivate yourself—or others—to action?

With the magic ingredient. And here's what it is.

Some time ago, a rich cosmetic

HOW TO MOTIVATE

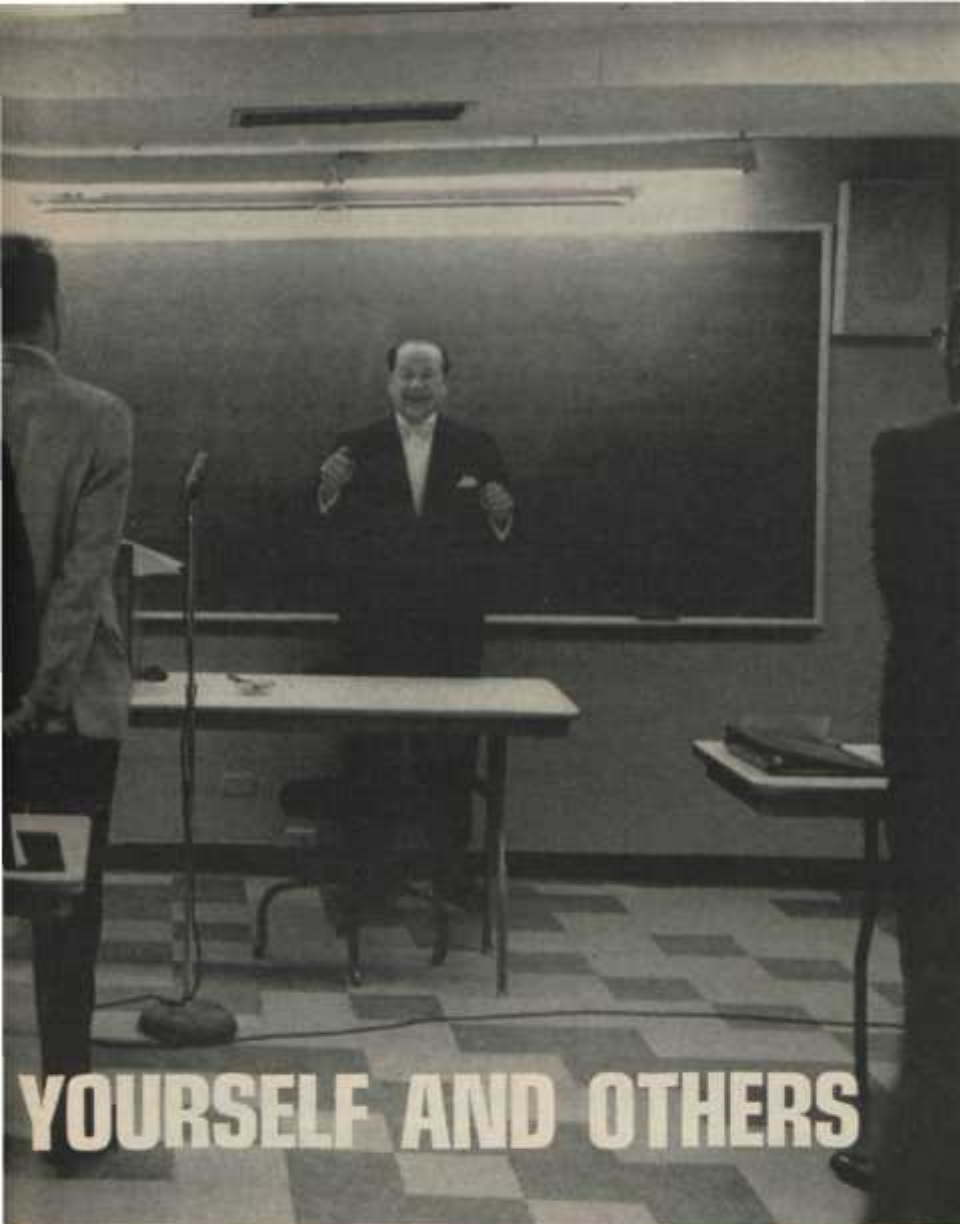


PHOTO: BILLIAN HARRIS, BLACK STAR

Mr. Stone tells new agents how to sell successfully.

manufacturer retired. His products were fabulously successful. His friends badgered him for the secret of their success.

Year after year, he jokingly refused.

But finally, he relented.

"In addition to the formulas that all cosmeticians use," he said, "I always added the magic ingredient to mine."

"And what's that?" they chorused.

"Well," he replied. "I never promised a woman that my products would make her beautiful. But I always gave her hope."

Hope, of course, is the magic ingredient. It is desire, with the belief that the goal is obtainable and with the expectation of reaching it.

How to get PMA

You give yourself hope, you motivate yourself to action with what I call PMA—a positive mental attitude.

There's a formula for generating that attitude of mind:

Memorize, understand and repeat frequently: "What the mind can conceive and believe, the mind can achieve." It's a form of self-suggestion, a self-motivator to success.

When it becomes a part of you, you dare to aim higher.

It has worked for many successful people, including a fellow named Bill Danforth.

Bill was a sickly farm boy from rural, southeast Missouri. He was motivated by a dedicated grammar

school teacher. The teacher did it with a challenge: "I dare you."

"I dare you to become the healthiest boy in the school," the teacher said.

And those three words, "I dare you," became William Danforth's self-motivator throughout his life.

He did become the healthiest boy in his school. And during his long business career, he never lost a day because of illness. "I dare you" motivated him to build one of the biggest corporations in the United States—the Ralston Purina Co.

There are other self-motivators that will spur us to action. You choose whatever motivators you need. You don't have to have many. Let's say that you procrastinate

nate. To cure that bad habit, all you do is repeat 50 times in the morning and 50 times at night—and as often as you wish during the day—"Do it now; do it now; do it now."

Finally, it becomes part of your subconscious. Then, whenever you are tempted to put something off, that subliminal message will flash through your mind.

And you'll act on it.

Where success starts

Success lies within ourselves. And to achieve it, we must start by changing ourselves.

There's a good story that illustrates this point.

It's about the minister who was trying to prepare a sermon one rainy day and, at the same time, take care of his young son while his wife was shopping.

The boy was restless and bored, and kept interrupting his dad.

Finally, the minister picked up a magazine and found in it a map of the world. He ripped out the page, tore it into small pieces and scattered them on the floor.

"Johnny," he said, "if you can put this back together right, I'll give you 25 cents."

The boy started in eagerly, and the minister retired to his study, convinced that the youngster would be kept busy the rest of the morning.

But in a few minutes, Johnny knocked at the door, with the bits of paper neatly arranged and the map in order.

"Son, how did you do that so fast?" his father gasped.

"It was easy," the boy said. "On the back of the map was a picture of a man. I laid a sheet of paper on the floor, put together the picture of the man, turned it over and the map was all together."

"I figured that if I got the man right, the world would be right."

The minister smiled, handed the boy a quarter, and said: "You've given me my sermon for tomorrow—"

"If a man's right, his world will be right."

One of the most effective ways of motivating yourself—or others—is by reading inspirational, self-help books and articles.

Take almost any man who has been phenomenally successful, and you'll find that somewhere along the line he was exposed to books like that.

Napoleon Hill's "Think and Grow Rich" is one of the best. Another is William Danforth's "I Dare You." So is "Success Through a Positive Mental Attitude," which I wrote with Napoleon Hill.

Power of example

Another effective way to motivate others is by example.

Let me give an illustration from my own experience, one that also illustrates the power of a positive mental attitude.

After I acquired my own insurance agency, I was training a salesman who had been working Sioux Center, Iowa.

He was low. He had gone two days without making a sale.

"It's impossible to sell there," he said.

"The people are Dutch and clanish. They won't buy from a stranger. Besides, they've had crop failures five times in a row."

So I suggested we drive to Sioux Center the next day and let me try. I wanted to prove to him that if he used my sales system, and had a positive mental attitude, he could sell despite any obstacles.

On the way to Sioux Center, I

closed my eyes, relaxed and conditioned myself.

I kept thinking why I could and should sell these people—rather than why I couldn't.

"He says they're Dutch and clanish and won't buy," I thought.

"That's good."

"Everyone knows that if you can sell one in a clan, especially a leader, you can sell them all."

"Also, they've had bad crops."

"That's good, too."

"They're thrifty people, and save their money. Yet, they want to protect their families and property."

"But they probably don't have any insurance, because most salesmen are too discouraged to tackle them. Now, our policies offer good protection, at low cost, and I'll find no competition."

"So, selling them should be easy."

Then I engaged in what I call "mind-conditioning."

I repeated over and over to myself, with reverence, sincerity, expectation and emotion: "Please, God, help me sell."

Then I took a nap, to arrive refreshed and ready to go.

The first place we called was a bank. Within 20 minutes, I sold

If you know the three keys to success, says multimillionaire W. Clement Stone, you can make of yourself anything that you want.



the vice president. Then I sold the cashier. From there, we began to cold canvass—sell without appointment in every office and store in town. Everyone we called on that day bought a policy.

Why did I succeed where the other man failed?

Because I knew and believed they would buy for the same reasons he was sure they wouldn't—because they were Dutch, clannish and their crops had failed.

Also, I had something more.

And that was the difference between a negative mental attitude, and PMA.

I had asked for Divine guidance and help. And what's more, I believed I was receiving it.

Know-how and knowledge

In addition to motivation, and PMA, the successful man must have two other things working for him.

One is know-how—the quality that enables you to do something at will, with skill, effectiveness and a minimum use of time and effort. Know-how gets things done when people are wondering if they can be done.

Know-how built the pyramids of Egypt and the great cathedrals of Europe; it flew the Atlantic; it harnessed electricity and split the atom.

Some day, it will put a man on the moon.

And it can bring success to anyone.

How do you get it?

You don't get it—you accumulate it by doing, by action, by experience.

The other ingredient of success is knowledge. It's different from know-how.

Knowledge for a salesman, for example, means complete information about the product or service he sells and how to sell it. It's something you can acquire from books, from the experience of others and from those who are willing to teach. It's theory or abstract knowledge.

I've applied in my own life the principles of the success system that never fails.

Putting principles to work

I was 16 when I sold my first insurance policy.

My mother had a small agency

representing the United States Casualty Co. in Detroit. We sold on a cold canvass basis. We called on banks, offices and stores during business hours.

When a salesman calls door to door in an office building, there's always some feeling of timidity, which is a shade of fear. And if he's turned down, a salesman is pretty low.

I had the same feeling, and I had to find out how to overcome it.

First, I spent a full day at the office reading and studying the policy I was to sell the next day and ways to sell it.

That's knowledge. Putting it into practice is know-how.

Then comes positive mental attitude.

After much thought, I reasoned: Success is won by those who try. And where there's nothing to lose by trying, and a great deal to gain, by all means try.

Repeating this self-motivator over and over again would get me up to the door.

But I was still timid about going in. Then I hit on the right self-starter:

"Do it now!"

And I found that action would dispel fear. Emotions are not subject to reason. But they're always subject to action.

If you have butterflies in your stomach, and you're scared stiff, you can overcome fear at once by taking the right kind of action—by talking rapidly, loudly, emphasizing important words, pausing properly between phrases, keeping a smile in your voice and modulating it.

It works 99 times out of 100.

Thus I learned sales techniques that would get the desired result and were useful in training other salesmen.

That's know-how.

Experience taught me one thing.

Building a business

Sales depend on the attitude of the salesman—not the attitude of the prospect.

The salesman who is motivated and has the proper know-how and knowledge can influence his prospect to buy.

By the time I was 20, I owned my own agency. It was built on the same three principles of the success system that never fails: Self-moti-



Low-priced time clock helps small companies meet strict wage-hour law requirements

Accurate time records and proof of compliance are mandatory for all companies subject to the wage-hour law. More and more companies are finding it pays to avoid wage-hour trouble with clock-stamped payroll time records. A bonus benefit is that resulting employee respect for time discipline shows up in increased production!

Lathem leads the field with a deluxe, fast-operating top-inserting time recorder that provides error-free two-column payroll accounting for straight time and overtime. And Lathem makes time clocks feasible for companies with as few as three employees with low-priced side-printing models which may be used for job time as well as payroll time.

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HOW TO MOTIVATE YOURSELF AND OTHERS

continued

vation, know-how and knowledge.

I started the agency in 1922 with \$100.

Then in 1939, I bought the management contract of a company in Texas. And in 1946, I acquired the Pennsylvania Casualty Co.

The company I head now—the Combined Insurance Co. of America (formerly Pennsylvania Casualty Co.), with its subsidiaries, Hearststone Insurance Co. of Massachusetts, First National Casualty Co., Combined American Insurance Co. and Commerce and Industry Insurance Co.—has assets of more than \$150 million.

If you had invested \$10,000 in it in 1951, you'd be worth \$8 million today.

Using OPM

I bought Pennsylvania Casualty Co. with the seller's own money, believe it or not. That story illustrates how motivation, know-how and knowledge work. And what's very important in making a fortune is how to use OPM—other people's money.

In 1945, at the end of the year, I was studying, thinking and planning my goals for the year ahead. It's absolutely imperative to do this, if you want to move ahead. Otherwise, you drift like a ship without a rudder.

If you know what you want, you are motivated to try to get it. You start thinking about it. That creates a desire, and soon it becomes a burning desire—which is all-important.

At any rate, I decided my major goal for 1946 would be to own a stock company that had a charter to sell accident and health insurance and was licensed to operate in almost every state.

It didn't need to have any insurance in force.

It could be just a corporate shell. I knew I could build up a business with it. All I needed was a vehicle.

Then, after thinking, planning and setting a goal, I asked for Divine guidance and help.

But, by October, I still had not realized this goal.

"Just two months to go," I said to myself. "But there's a way. I don't know what it is, but I know I'll find it."

Again, I prayed for Divine guidance and help. Two days later, a

friend called. I had spread the news that I was on the lookout for the kind of company I've described.

"You know the Pennsylvania Casualty Co.?" he asked, adding:

"It has lost \$17 million. The Commercial Credit Co. of Baltimore, which owns it, wants to liquidate it."

"All of its policies will be turned over to two other insurance companies which are also owned by Commercial Credit. But that still leaves Pennsylvania Casualty as a legal entity, with a charter to operate in 35 states."

I thanked him warmly, sure that here was the opportunity I sought. After a few moments of thought, the solution flashed through my mind.

"If I can hit on a plan that would help Commercial Credit liquidate its ownership quickly, and let me wind up with Pennsylvania Casualty, I could probably sell the plan to the directors."

So I made an appointment, and the next day at 2 p.m., I went to talk to them.

I offered \$25,000 for Pennsylvania Casualty and its charter, and they gladly accepted. But the company also had assets of \$1.6 million in cash and securities.

"What about the assets?" they asked.

"Well," I replied, "Commercial Credit's in the business of lending money. I'll pay for the assets by borrowing the \$1.6 million from you."

They all laughed.

"You have everything to gain, and nothing to lose," I went on. "Everything I have will be behind the loan—including the \$1.6 million company I'm now buying."

"What better security could you get than that? In addition, you'll get interest on the loan."

"But how will you repay it?" they asked.

I was ready for that question, too. "I'll repay it in 60 days," I said.

"I don't need more than \$500,000 to operate an accident and health company in the 35 states in which Pennsylvania Casualty Co. is licensed."

"I'll reduce the company's capital and surplus to \$500,000. Then, as sole stockholder, I'll receive \$1.1 million. There'll be no income tax on it, because Pennsylvania Casualty hasn't made a profit, and none

of the \$1.1 million I receive will be from profits. I'll pay that to you."

"How about the rest of the debt?" they insisted.

Again, I was prepared to answer.

"That will be easy," I replied. "Pennsylvania Casualty's assets are all cash, government bonds or high-grade securities. I can borrow \$500,000 from banks I do business with by pledging my interest in Pennsylvania Casualty and my other assets to back up the loan."

I left at 5 p.m. with the deal closed.

How to motivate others

But how about motivating others?

The same principles apply as in motivating ourselves.

When I was a trustee of the Chicago Boys Club—I'm president now—our professional director told us we had a duty to share our talents with the boys.

So I decided to form a Junior Success Club for them.

The first meeting I said to the boys: "Look, it's your club. What do you want to do?"

These were slum kids, youngsters that are now referred to as disadvantaged or culturally deprived.

There were two things they wanted to do. First, learn how to earn an honest dollar. Second, and this amazed me, they wanted to do better in school.

I gave them the book, "I Dare You," which is a great book for youngsters. I pointed out the three ingredients for success—self-motivation, knowledge and know-how.

And I went into detail to show that it takes less work to succeed than to fail, if you concentrate your energies or efforts. They learned the self-motivators and read the self-help books.

Then we taught them where to look for a job, how to sell themselves and how to leave pleasantly if they were turned down. Within 30 days, all 16 kids had jobs.

Then we tackled the schoolwork.

One boy was doing poorly in math. So we romanced math. We told him stories, for example, of how General Eisenhower, during wartime, would work out problems just to relax his mind.

And we did the same with other boys who had problems with other subjects.

In that way, they self-motivated themselves.

Then we hired high-school teachers who knew math, and the other subjects. They tutored the boys.

In 90 days, we had youngsters who had jumped ahead two grades. But they had paid the price. These kids would spend an hour and a half every night to catch up. Some of them now have their master's degree and are going for their doctorate.

Slum kids who—without motivation, know-how or knowledge—were going nowhere!

We also took convicts who wanted to straighten out their lives and applied the same principles.

Hundreds of them have taken a course in "Positive Mental Attitude" before they were released from prison.

First we get the man to recognize that, as far as he is concerned, he's the most important person on earth.

He has a brain, the same as everyone else, and that awesome power we're unable to define—the mind.

Furthermore, in his subconscious, he has inherited from the vast reservoir of the past, power to do what those in the past have done.

Then we give him the self-help books to read, and a teacher to guide him and inculcate the three principles of success.

Records were kept on 800 prisoners, chosen at random from Illinois penitentiaries, who took the course. Only 16 per cent of them went back behind prison walls.

Other convicts have a recidivism rate of 49 per cent.

One of the secrets of a healthy, happy life—and also one of the secrets of success—is helping others.

When you share what you have, what's left multiplies and grows.

To succeed, you must become emotionally mature and see the broader horizons in life. You must become aware of the power of the individual to make this world a better place in which to live.

And when you do that, happiness and wealth will follow. **END**

REPRINTS of "How to Motivate Yourself and Others" may be obtained from Nation's Business, 1615 H St. N. W., Washington, D. C. 20006. Price: 1 to 49 copies, 30 cents each; 50 to 99, 25 cents each; 100 to 999, 15 cents each; 1,000 or more, 12 cents each. Please enclose remittance with order.



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TROUBLE IN PARADISE

It may be the biggest misfire since the moralizing preacher was seduced by Sadie Thompson in Maugham's immortal "Rain," which also happened in Samoa

PAGO PAGO, AMERICAN SAMOA—On this lush, volcanic island the proud Polynesians have always lived from the sea. Their most famous legend is a song of the shark and the sea turtle. Now, Uncle Sam is spending close to \$100,000 to teach the Samoans how to fish.

This almost incredible irony points up what can happen to a peo-

Tait Trussell, who wrote this article is managing editor of NATION'S BUSINESS. He has been traveling in the South Pacific in recent weeks.



American Samoa is a ward of the U. S. Interior Department, which provides for all its needs. One of the few projects to bring sound development to the islands is the picturesque \$2 million Pago Pago Intercontinental Hotel, run by Pan Am.

ple living under the benevolent but excessive paternalism of the federal government. The Samoans are American nationals whose islands are administered by the U. S. Department of the Interior.

A couple of years ago, Lyndon Johnson visited Samoa. He told his colorfully dressed, caramel-skinned audience that what was being done at Samoa carried a "message of hope for millions elsewhere in the Pacific and Asia." Samoans, like people everywhere, "want to be independent and stand on their self-respect. They want to keep their dignity and be proud of themselves and their heritage."

But can they?

Soon after the President's visit, former Gov. H. Rex Lee was presented the Interior Department's distinguished service award for "outstanding contributions to the social, political and economic ad-

vancement of American Samoa." The award also said he instilled "the principle of self-help, so vital to the orderly and lasting development of democratic concepts and institutions in an underdeveloped community."

Such words have a bit of a hollow ring when you consider that American Samoa is now plagued with malnutrition, unemployment, increasing juvenile delinquency and crime and a growing dependence on the welfare state benefits instituted by the federal government.

Of course, Uncle Sam has brought some notable progress to these South Pacific isles.

A unique educational system teaches by TV. Educational television is piped into the classrooms at a cost of more than \$3 million to broaden the minds of Samoa's children, who make up a third of the population.

Sanitation and water purity standards have been raised. The incidence of filariasis (better known as elephantiasis, the disease that brings a ghastly bloating of parts of the body) has been cut. Public works construction, which employs about 20 per cent of the work force, has included schools, a tropical medical center and a sewage treatment plant.

For tourists a scenic highway winds along the coast, past jutting green hills abundant with banana, breadfruit and mango trees and along the edge of the shore, where turquoise water rolls endlessly across the coral reefs that ring the main island of Tutuila.

Agricultural specialists have encouraged production of more kinds of crops and the battle has been stepped up against such plant diseases as the rhinoceros beetle which attacks coconut trees.

An American Samoan Develop-

TROUBLE IN PARADISE *continued*

ment Corp. has been set up and encouraged by the American governor in its aim to invest in "ventures for the enhancement of the American Samoan economy." Its biggest project so far has been a joint venture to build the Pago Pago Intercontinental Hotel. This is a \$2 million luxury hotel built in the style of the Samoan *fale*, a thatched roof home. It is part of a chain run by International Hotels, a subsidiary of Pan American World Airways, Inc.

Finally, a new constitution was granted in 1966, giving the Samoans more self-government.

Not all bad

Certainly it would be a gross exaggeration to say that the U. S. government's caretaker approach has stripped Samoans of all initiative or lulled them into a state of mindless indolence.

However, the policies, attitude and approach of government paternalism have gone far to discourage the self-respect and independence that LBJ spoke about so grandly and which the former Governor was honored for instilling. (The current Governor is Owen Aspinall, son of the chairman of the U. S. House Interior Committee.)

Not that the typical Samoan has ever been fired with the ambition and drive of a merchant prince. The goals of many Samoans are short-range and pleasure-centered. Many would rather dance their native *Siva-Siva* than work. It's not so much the *manana* attitude that permeates so many tropical climates, the Polynesian culture is rich in ceremonies and traditions that stress other values over making a buck.

As Rudy Richter, deeply tanned manager of the Pago Pago Intercontinental says, "My employees won't even cash their checks sometimes. It really fouls up the bookkeeping."

The big question is whether government policies and the Samoans' status as wards of the federal bureaucracy have made the natives even less self-reliant, held back their progress and stunted their economy. There is considerable evidence that they have.

To understand this completely, take a closer look at American Samoa. It comprises the eastern islands of the Samoan group which are about 2,300 miles southwest of Hawaii. Western Samoa is now an independent nation, located 77 miles west of the seven-island Amer-



Growing dependence on the welfare state in Samoa has brought drastic changes in the economic and cultural life of the islanders.

ican group. The United States has had a commercial and port interest in Samoa for more than 100 years, but the American flag was first raised here in 1900, when the island chiefs ceded their authority to Uncle Sam. With its deep harbor, Pago Pago was used as a naval base from then on, but little was done to interfere with the traditional village life of the people. In 1951 the administration of the island was transferred to the Secretary of Interior.

The Samoans probably arrived on the islands from somewhere in southeast Asia around 500 A.D. Though they have had contact with western ways for more than 100 years, their customs and culture had remained intact. The basic political and economic unit is the family, including all kith and kin and kins' cousins traced back over generations. The family is headed by the *matai*, or chief. He has been responsible for their welfare and made the big decisions for his people.

Now, although the *matai* still re-

tains considerable power, Uncle Sam, in the person of the appointed American governor, has become the big chief in the islands. Now, too, the American Samoan lives in a controlled economy, with a guaranteed minimum wage, free socialized medicine, social security and is even spoon-fed news of the outside world from a government controlled Office of Samoan Information.

Examine the irony of Uncle Sam's teaching the Samoans how to fish. Not all Samoans have abandoned the sea to loll away their days under a coconut palm, many Samoans still love to fish. Ben Kneubuhl, a handsome part-Samoan, whose family is in the merchandising, shipping, insurance and tourist business on the island, is among those who take their boats out when they can spare the time.

Visit with Mr. Kneubuhl on his long front veranda at Malaloa overlooking placid Pago Pago harbor. Mr. Kneubuhl ties his own fishing

lures. As he slips the feather lure down over the hook and pulls another leader out of his kit, he reminisces.

Mr. Kneubuhl's father quit the Navy, married a Samoan girl and built up the prospering enterprises which the sons now run.

There have been attempts in recent years to start commercial fishing ventures in the islands, Mr. Kneubuhl recalls, but they have failed either because of government restrictions or because their Samoan owners failed to manage them properly.

Even fishing for subsistence has dwindled significantly in recent years.

Ill-fed in midst of plenty

The fact is there's not enough fish caught nowadays to supply the needs of the Samoans. Although fresh fish is one of nature's highest protein foods, and although the Samoan waters just offshore are teeming with snapper, grouper, Jack Chavalle, barracuda, mackerel and *mai mai*, many islanders are suffering from malnutrition, especially younger children.

The major private industrial operation in American Samoa is a \$25-million tuna-canning complex. Van Camp and Starkist, a division of H. J. Heinz, operate the canning plants at Pago Pago Bay. American Can, with facilities between these canneries, turns out containers for the two processors.

So an eager market for commercial tuna exists in this Samoan harbor. A golden opportunity for the islanders to build a fishing industry and provide jobs for hundreds of natives?

Sure. But most American Samoans won't fish and many won't work in the plants. Instead Korean, Nationalist Chinese and Japanese fishing fleets work under contract with the canneries. Samoans don't take to the arduous weeks at sea necessary to bring in the tuna. And hundreds of workers are brought in from the independent state of West Samoa to work at the canneries.

Apparently the Samoans question why they should work at such hard and exacting tasks when they can get a job with the government or just work now and then at the guaranteed minimum wage.

A prod from Uncle Sam

The federal government is now trying to prod the Samoans into

commercial fishing operations because of the great potential for the island economy.

About \$90,000 has been spent under a commercial fisheries research federal aid program. The program is headed by James Holoway, who hopes his two-year contract will be renewed. He believes there is a vast and rewarding market awaiting the Samoans if only an industry can get under way.

"Samoans would eat fish every day all day long if they had it," says Mr. Holoway, a husky and knowledgeable scientist. "They like it baked, broiled, steamed, raw, any way they can get it."

Not only is the local market there, Mr. Holoway explains, an international market is possible for skipjack tuna, lobster and the succulent *mai mai* fish. The skipjack tuna can be easily caught without weeks at sea and makes for sporty fishing that would challenge the Samoans' instinctive bent for excitement.

Samoans used to fish for tuna in their *pao pao* or outrigger canoes. In the past they used ingenious techniques to fish. They made lures

from pearl shells. They would deftly splash the sea's surface with their feet, simulating the ripples from a school of small fish and thus attract the tuna. They would grind their bait to a pulp, press it between small bricks, drop the tackle deep into the water, then release the bait. Or 30 or 40 Samoans with great nets would wade across the coral reefs near shore rounding up their catch en masse.

"You almost never see this anymore," says Mr. Holoway.

In days past, everybody fished. Now they work for the government—the island's largest employer

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The native council still convenes, but the power of the matai, or chief, has diminished as Uncle Sam has taken over as Big Chief.

—or they work infrequently, if at all. And no wonder, when their needs and security are so well tended by Uncle Sam.

Samoa's Department of Medical Services treats the entire populace, even government contract employees and the Asian tuna fishermen who supply the local canneries. Dental care also is free.

In a land where you can pull a banana off a tree almost anywhere you turn, a free school breakfast program has been started in addition to a school lunch program.

A new law provides new rights for government employees and says that no government worker may receive a rate of pay less than the minimum wage, no matter what his duties.

Not noted for industry

Although there are some hard-working and dedicated public employees, such as the government's attorney general, even he has a staff of 90. And according to Donald H. Pegues, district travel sales manager for Pan American and president of the local Chamber of Commerce, "You can see four supervisors sitting around under a palm tree watching one man work."

A federal grant from the Office of Emergency Planning has enabled some Samoans to own a free "hurricane house," built in something less than authentic Samoan architecture.

The Office of Samoan Affairs now is settling family disputes that at one time fell within the purview of the family *matai* or chief.

Efforts are being made to win acceptance for planned parenthood in Samoa. But "results are slow in coming," according to the Secretary of Interior's Annual Report for American Samoa. "Of particular note is the near total rejection of the oral type of contraceptive (the pill) by the Samoan women."

An island pharmacy manufactures and distributes drugs paid for with federal dollars.

Though Samoa is physically as like a South Sea island paradise as you can find on this globe, work is under way to establish a government planned park system. Residents hope the government will refrain from doing more than preserving the natural tropical beauty.

Many workers now in the relatively primitive independent Western Samoa want to come here to work for the higher wages. But

stringent immigration restrictions guard the American Samoans' jobs for them.

Before a private business can hire an outsider, it must satisfy the Samoan Personnel Office it has first tried its best to find an American Samoan for the job.

The traditionally closely knit family groups always cared for their young and old. But now juvenile delinquency is on the rise. And a large percentage of the elderly Samoans are now drawing old-age, social security payments.

Growth hampered

Government policies not only guard and comfort the Samoan to the point of endangering his self-reliance, they also tend to hamper the economic growth of the islands.

Government rules say you can't do business in Samoa unless you have a Samoan partner. Moreover, a governor's regulation says that after a certain number of years you have to turn over ownership to your Samoan partner, "which is hardly

the way to provide incentive to outside investors," notes Pan Am's Donald Pegues.

"I think it will be tested in the courts one day," he adds.

"You have to have some government rules to guard the islands against exploitation," comments Mr. Pegues, "but the government has gone overboard on its policy of Samoa for the Samoans. It's a case of giving the bureaucrats an inch and they've taken a mile."

Ben Kneubuhl recalls that a manufacturer of women's undergarments wanted to build a factory, hire Samoans and import silk from the Orient.

Even though it would compete in no way with any existing Samoan industry and would have provided "probably a couple of hundred jobs" the venture never could win government approval.

Another local businessman remembers the trials one Samoan entrepreneur went through to try to start a grocery business. He even went directly to Washington and it

took him four years of battling red tape before he won.

Washington's mea culpa

Even last year's Annual Report on American Samoa concedes:

"Economic activity in American Samoa could have been notably higher if the government of American Samoa had permitted an open-door policy for outside investors."

As fisheries expert James Holoway notes, "The Samoan is not a self-aggrandizing type." And, as he has discovered in his efforts to launch a fishing industry, "They are very cautious about making an investment in anything."

So all signs point to the need for outside investment and know-how if the verdant islands of American Samoa are to reach their full economic potential. Equally, if the Samoans are to achieve the dignity and pride that is their heritage, and which Lyndon Johnson told them was so necessary, they will find it difficult indeed under a continuing federal welfare state. **END**

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WASHINGTON'S DISCOVERY

The number of employees in a bureaucracy swells inevitably, irrespective of what amount of work, if any, is done.

So says Parkinson's Law.

The witty Englishman who propounded it now predicts that if government keeps expanding in Britain at its current rate, the entire working population will be on government's payroll by the year 2195.

Here in the United States, government employees are increasing even more sharply. Projecting this rate, all working Americans would be government employees by the year 2185.

Some people in Washington now pale at the prospect of any cutback in bureaucracy to reduce federal spending.

They should remember what our nation's first chief executive, George Washington, discovered:

"My observation is that whenever one person is found adequate to the discharge of a duty by close application thereto, it is worse executed by two persons, and scarcely done at all if three or more are employed therein."

Nation's Business

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